

COMPARISON OF HOUSE AND SENATE VERSIONS OF H.R. 13511 (REVENUE ACT OF 1978)

I. INDIVIDUAL TAX REDUCTIONS AND REVISIONS

A. Individual Income Tax Reductions and Extensions

Item	Present Law	House Bill	Senate Amendment	Conference Action
1. Widening of tax brackets, rate cuts in certain brackets, and increase in zero bracket amount (section 101 of the House bill and section 101 of the Senate amendment)	<p>Under present law, individual income tax rates begin at 14 percent on taxable income in excess of \$3,200 on a joint return and \$2,200 on a single return, and a head of household return. There is no tax on the first tax bracket, referred to as the "zero bracket amount." This amount is also a floor under itemized deductions.</p> <p>Individual tax rates range up to 70 percent on taxable income in excess of \$203,200 for joint returns and \$102,200 for single returns. Present law also provides different rate schedules for heads-of-households, married couples filing separately, and estates and trusts.</p> <p>There are 25 tax brackets.</p>	<p><i>Increase in zero bracket amount.</i>—Increases the zero bracket amount from \$3,200 to \$3,400 for joint returns and from \$2,200 to \$2,300 for single persons. For heads-of-households the increase is also \$100 to \$2,300. For married persons filing separate returns, the increase is from \$1,600 to \$1,700.</p> <p><i>Widening of tax brackets.</i>—The second rate schedule change is that the size of the tax brackets (in excess of the zero bracket) are increased by 6 percent. For example, under present law the zero bracket amount is \$3,200 and the first tax bracket is from \$3,200 to \$4,200, or \$1,000 wide. Under the bill, the zero bracket amount is \$3,400 and the bracket width is increased by 6 percent of \$1,000 (or \$60) to \$1,060, so that the first income bracket range is from \$3,400 to \$4,460. The same principle applies throughout the rate schedule.</p> <p><i>Reduction in certain tax rates.</i>—Reduces for married individuals filing jointly. The present 19, 22 and 25 percent rates one point to 18, 21 and 24 percent, respectively, for the present law taxable income range \$7,200 to \$19,200.</p>	<p><i>Increase in zero bracket amount.</i>—Same as the House bill, except that the increase for heads of household is to \$3,000, not \$2,300.</p> <p><i>Widening of tax brackets.</i>—A new tax rate schedule is provided with 15 instead of 25 tax brackets for married individuals filing jointly, and 16 brackets for single individuals, with wider brackets, particularly in the top brackets.</p> <p><i>Reduction in certain tax rates.</i>—The rate reductions are directed more toward the lower- and middle-income tax brackets than in the House bill. Six tax rates are reduced compared to present law (joint return schedule): the 14 percent rate to 13, the 15, 16 and 17 percent rate to 14, the 19 percent rate to 16 and the 22 percent rate to 21—this covers the first \$15,000 of taxable income under present law. One tax rate is increased: the 28 percent rate to 29 which covers the present law taxable income range \$19,200 to \$23,200. (Senate floor amendment by Senators Bumpers and Kennedy adopted by a vote of 52 to 43.)</p> <p><i>Effective date.</i>—Same as the House bill.</p>	<p><i>Compromise rate schedule</i></p>

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2. Increase in the personal exemption (section 102 of both the House bill and the Senate amendment)	<p>Under present law, the amount of the personal exemption is \$750 for the taxpayer, his or her spouse, and each dependent whose gross income is less than \$750 (unless the dependent is a child of the taxpayer who is either under age 19 or a student). An additional exemption is provided for a taxpayer who is blind or age 65 or over. Present law also provides a general tax credit, which is the larger of \$35 per exemption or 2 percent of the first \$9,000 of taxable income (in excess of the zero bracket amount), with a maximum credit of \$180. The credit is scheduled to expire at the end of 1978.</p>	<p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><th>Fiscal year</th><th>Millions</th></tr><tr><td>1979</td><td>\$6,549</td></tr><tr><td>1980</td><td>11,608</td></tr><tr><td>1981</td><td>13,440</td></tr><tr><td>1982</td><td>15,587</td></tr><tr><td>1983</td><td>18,104</td></tr></table> <p>A permanent increase in the personal exemption from \$750 to \$1,000 is provided and the gross income limit for a dependent is increased from \$750 to \$1,000. The general tax credit is allowed to expire at the end of 1978, as under existing law.</p> <p>Effective date.—The increase in the personal exemption is effective for taxable years beginning after December 31, 1978. The general tax credit will no longer apply for taxable years ending after December 31, 1978.</p> <p>Revenue effect.—It is estimated that budget receipts (net of the expiration of the general tax credit) will be reduced by:</p> <table><tr><th>Fiscal year</th><th>Millions</th></tr><tr><td>1979</td><td>\$899</td></tr><tr><td>1980</td><td>1,362</td></tr><tr><td>1981</td><td>1,474</td></tr><tr><td>1982</td><td>1,580</td></tr><tr><td>1983</td><td>1,679</td></tr></table> <p>No provision.</p>	Fiscal year	Millions	1979	\$6,549	1980	11,608	1981	13,440	1982	15,587	1983	18,104	Fiscal year	Millions	1979	\$899	1980	1,362	1981	1,474	1982	1,580	1983	1,679	<p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><th>Fiscal year</th><th>Millions</th></tr><tr><td>1979</td><td>\$8,571</td></tr><tr><td>1980</td><td>22,049</td></tr><tr><td>1981</td><td>23,453</td></tr><tr><td>1982</td><td>27,842</td></tr><tr><td>1983</td><td>33,099</td></tr></table> <p>Same as the House bill.</p> <p>Effective date.—Same as the House bill.</p> <p>Revenue effect.—Same as the House bill.</p>	Fiscal year	Millions	1979	\$8,571	1980	22,049	1981	23,453	1982	27,842	1983	33,099	41000
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3. Additional personal exemption for the handicapped (section 107 of the Senate amendment)	<p>Under present law, there is no extra personal exemption provided for handicapped persons (as there is in the case of those who are blind or age 65 and over).</p>		<p>Provides an additional personal exemption to a handicapped taxpayer. Handicapped means permanently and totally disabled.</p>	Out																																				

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4. Changes in filing requirements and withholding changes (sections 101 and 102 of both the House bill and the Senate amendments)	<p>Under present law, a tax return must be filed by a single person and a head of household if his or her income is \$2,950 or more a year and by a married couple under age 65 filing a joint return if their income is \$4,700 or more.</p> <p>The withholding tax rates reflect the present law tax rates, the zero bracket amount, and the amount of the personal exemption.</p>	<p>The filing levels for a single person and a head of household are increased to \$3,300 and to \$5,400 for a married couple (under age 65).</p> <p>The withholding rates and tables are to be changed by the Secretary of the Treasury to reflect the increase in the zero bracket amount and the personal exemption.</p>	<p>The additional exemption would not be available to an individual, however, if he or she received benefits as a disabled veteran, a disabled civil service employee, or receives cash benefits as a disabled person under the Social Security Act or other Federal, State, or local government program. In addition, the extra exemption would not be available with respect to anyone age 65 or over.</p> <p>The additional personal exemption is to be \$500 for 1979 and 1980 and is to be increased to \$1,000 for 1981 and thereafter.</p> <p>Effective date.—The \$500 additional exemption is to be available for taxable years beginning after December 31, 1978, and the \$1,000 exemption is to be effective for taxable years beginning after December 31, 1980.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><td><i>Fiscal year</i></td><td><i>Millions</i></td></tr><tr><td>1979</td><td>\$121</td></tr><tr><td>1980</td><td>248</td></tr><tr><td>1981</td><td>379</td></tr><tr><td>1982</td><td>519</td></tr><tr><td>1983</td><td>546</td></tr></table> <p>Same as the House bill except the filing requirement for heads of households is increased to \$4,000.</p> <p>The withholding changes are to be the same as the House bill except to reflect the higher zero bracket amount for heads of households and the different tax rate reductions.</p>	<i>Fiscal year</i>	<i>Millions</i>	1979	\$121	1980	248	1981	379	1982	519	1983	546	
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Item	Present Law	House Bill	Senate Amendment	Conference Action
5. Earned income credit (sections 103 and 104 of the House bill and sections 103, 104, and 105 of the Senate amendment)		<p>Effective date.—The change in the filing requirement is effective for taxable years beginning after December 31, 1978, and the withholding changes apply to wages paid after December 31, 1978.</p> <p>Revenue effect.—None, attributed to substantive changes (as indicated above in items 1–3).</p>	<p>Effective date.—The filing requirement change is the same as the House bill but the withholding changes are to apply to wages paid after July 31, 1978. (Included in the Senate floor amendment by Senators Bumpers and Kennedy.)</p> <p>Revenue effect.—None, attributed to substantive changes (as indicated above in items 1–3).</p>	
a. Permanent extension and simplification	A refundable credit is allowed against income tax equal to 10 percent of the first \$4,000 of earned income phased out between \$4,000 and \$8,000 of adjusted gross income (or, if higher, earned income). The credit expires at the end of 1978. The credit generally is allowed to taxpayers who live with children.	The credit is made permanent, and is amended to simplify the determination of the amount of, and eligibility for, the credit.	Same as the House bill.	5,000 - 10% Phase out 6,000 - 10,000
b. Increase in credit		No provision.	The amount of credit is increased to 12 percent of the first \$5,000 of earned income (a maximum of \$600) phased out between \$6,000 and \$11,000 of adjusted gross income (or, if higher, earned income). These dollar amounts are adjusted upward by the ratio of the poverty line for any noncontiguous State to the poverty line for the 48 contiguous States, if this ratio is 15 percent or greater.	Out
c. Advance payment	Present law contains no special provision for advance payments of the earned income credit.	No provision.	Employees could elect to have advance payments of the earned income credit added to their paychecks each pay period. The amount of the payment would be determined from tables which take into account the amount of wages paid and whether or not an employee's spouse was also claiming advance payments. Employers would reduce their liability for income tax withholding and FICA taxes for the aggregate amount of advance payments made to employees in any pay period.	In

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5. Earned income credit (continued)																																																				
d. Treatment of earned income credit for purposes of Federal benefit programs	<p>Present law requires that the earned income credit not be taken into account as income for purposes of determining eligibility for, or the amount of, benefits or assistance under any Federal program or State or local program incurred in whole or in part with Federal funds.</p>	<p>No provision.</p> <p>Effective date.—The amendments are effective for taxable years beginning after December 31, 1978.</p> <p>Revenue effect.—Budget receipts will be reduced and outlays will be increased by:</p> <table><tr><th colspan="4">Provision</th></tr><tr><th>Fiscal year</th><th>Simplification</th><th>Permanent</th><th>Total</th></tr><tr><td>1979</td><td>17</td><td>1,061</td><td>1,078</td></tr><tr><td>1980</td><td>16</td><td>1,019</td><td>1,035</td></tr><tr><td>1981</td><td>16</td><td>978</td><td>984</td></tr><tr><td>1982</td><td>15</td><td>938</td><td>953</td></tr></table>	Provision				Fiscal year	Simplification	Permanent	Total	1979	17	1,061	1,078	1980	16	1,019	1,035	1981	16	978	984	1982	15	938	953	<p>The provision that prohibits the credit from being taken into account for Federal or Federally aided assistance programs would be repealed. In addition the Social Security Act would be amended to provide specifically that the earned income credit, and advance payments of the credit, be treated as earned income for purposes of the aid to families with dependent children (AFDC) and supplemental security income (SSI) programs.</p> <p>Effective date.—The increase in the credit and the simplifying changes apply to taxable years beginning after December 31, 1978. The advance payment provisions will be effective for remuneration paid after June 30, 1979. The provisions concerning the treatment of the credit in assistance programs will be effective after the date of enactment of this act.</p> <p>Revenue effect.—Budget receipts will be reduced and outlays will be increased by:</p> <table><tr><th colspan="4">Provision</th></tr><tr><th>Fiscal year</th><th>Simplification</th><th>Permanent</th><th>Total</th></tr><tr><td>1979</td><td>17</td><td>1,061</td><td>1,078</td></tr><tr><td>1980</td><td>16</td><td>1,019</td><td>1,035</td></tr><tr><td>1981</td><td>16</td><td>978</td><td>984</td></tr><tr><td>1982</td><td>15</td><td>938</td><td>953</td></tr></table>	Provision				Fiscal year	Simplification	Permanent	Total	1979	17	1,061	1,078	1980	16	1,019	1,035	1981	16	978	984	1982	15	938	953	
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B. Itemized Deductions and Individual Credits

Item	Present Law	House Bill	Senate Amendment	Conference Action												
6. Repeal of deduction for State and local nonbusiness gasoline and other motor fuel taxes (section 111 of the House bill and the Senate amendment)	Under present law, an individual who itemizes deductions can deduct State and local taxes imposed on gasoline, diesel, and other motor fuels not used in business or investment activities.	<p>The House bill repeals the itemized deduction for State and local taxes on gasoline, diesel, and other motor fuels not used by the taxpayer in business or investment activities.</p> <p>Effective date.—The repeal of the deduction is effective for taxable years beginning after December 31, 1978.</p> <p>Revenue effect.—Increases budget receipts by:</p> <table><tr><th>Fiscal year</th><th>Millions</th></tr><tr><td>1979</td><td>\$471</td></tr><tr><td>1980</td><td>1,237</td></tr><tr><td>1981</td><td>1,458</td></tr><tr><td>1982</td><td>1,720</td></tr><tr><td>1983</td><td>2,029</td></tr></table>	Fiscal year	Millions	1979	\$471	1980	1,237	1981	1,458	1982	1,720	1983	2,029	<p>Same as the House bill.</p> <p>Effective date.—Same as the House bill.</p> <p>Revenue effect.—Same as the House bill.</p>	ln
Fiscal year	Millions															
1979	\$471															
1980	1,237															
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7. Revision of deduction for medical, dental, etc., expenses (section 112 of the House bill)	Under present law, an individual who itemizes deductions generally can deduct unreimbursed medical and dental expenses paid for the medical care of the individual, and his or her spouse and dependents to the extent that the total of such expenses exceeds 3 percent of adjusted gross income (Code section 213). Amounts paid for medicine and drugs may be counted toward the deductible amount only to the extent they exceed one percent of adjusted gross income. In addition, one-half of the amount of medical insurance premiums (up to \$150) can be deducted by itemizers without regard to the 3-percent limitation. The balance of medical insurance premiums is added to other medical expenses and is subject to the 3-percent limitation.	<p>The House bill repeals the itemized deduction for one-half of the amount of medical insurance premiums (up to \$150) without regard to the 3-percent limitation. In addition, the bill repeals the special limitation in present law which permits deduction of prescription and nonprescription medicine and drug costs only to the extent they exceed 1 percent of adjusted gross income. The bill further provides that only "prescribed drugs" and insulin would be eligible for the medical expense deduction.</p> <p>Effective date.—The modifications are effective for taxable years beginning after December 31, 1978.</p> <p>Revenue effect.—Increases budget receipts by:</p> <table><tr><th>Fiscal year</th><th>Millions</th></tr><tr><td>1979</td><td>\$16</td></tr><tr><td>1980</td><td>43</td></tr><tr><td>1981</td><td>51</td></tr><tr><td>1982</td><td>60</td></tr><tr><td>1983</td><td>71</td></tr></table>	Fiscal year	Millions	1979	\$16	1980	43	1981	51	1982	60	1983	71	<p>No provision.</p>	OK
Fiscal year	Millions															
1979	\$16															
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1983	71															

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8. Political contributions (section 113 of the House bill and section 121 of the Senate amendment)	<p><i>Deduction.</i>—An itemized deduction is allowed for political or newsletter fund contributions of up to \$100 per year (\$200 in the case of a joint return).</p> <p><i>Credit.</i>—Alternatively, a taxpayer can elect an income tax credit equal to one-half of such political and newsletter fund contributions, but not more than \$25 (\$50 in the case of a joint return).</p>	<p>Repeals the deduction.</p> <p>No provision (i.e., retains the present tax credit).</p> <p>Effective date.—This provision is effective for taxable years beginning after December 31, 1978.</p> <p>Revenue effect.—Increases budget receipts by:</p> <table><tr><th><i>Fiscal year</i></th><th><i>Millions</i></th></tr><tr><td>1979</td><td>\$2</td></tr><tr><td>1980</td><td>6</td></tr><tr><td>1981</td><td>7</td></tr><tr><td>1982</td><td>8</td></tr><tr><td>1983</td><td>10</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1979	\$2	1980	6	1981	7	1982	8	1983	10	<p>No provision (i.e., retains the present tax deduction).</p> <p>Increases the maximum credit to \$50 (\$100 in the case of a joint return).</p> <p>Effective date.—Taxable years beginning after December 31, 1978.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><th><i>Fiscal year</i></th><th><i>Millions</i></th></tr><tr><td>1979</td><td>—</td></tr><tr><td>1980</td><td>\$16</td></tr><tr><td>1981</td><td>26</td></tr><tr><td>1982</td><td>16</td></tr><tr><td>1983</td><td>16</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1979	—	1980	\$16	1981	26	1982	16	1983	16	OT h-
<i>Fiscal year</i>	<i>Millions</i>																											
1979	\$2																											
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1982	16																											
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9. Increase in tax credit for the elderly (section 122 of the Senate amendment)	<p>Under present law, an individual taxpayer age 65 or older is entitled to a tax credit equal to 15 percent of the credit base minus certain offsets. Currently, the credit base is:</p> <table><tr><td>\$2,500</td><td>Single individual or joint return where only one spouse is eligible;</td></tr><tr><td>\$3,750</td><td>Joint return where both the spouses are eligible; or</td></tr><tr><td>\$1,875</td><td>Married individuals filing a separate return</td></tr></table>	\$2,500	Single individual or joint return where only one spouse is eligible;	\$3,750	Joint return where both the spouses are eligible; or	\$1,875	Married individuals filing a separate return	<p>No provision. (The Ways and Means Committee, however, reported a provision identical to the Senate amendment on September 25, 1978, H.R. 9393.)</p>	<p>Credit base.—Increases the credit base to \$3,000 for a single person, \$4,500 for a married couple where both spouses are age 65 or over, and to \$2,250 for married individuals filing a separate return.</p>	OT																		
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	<p>This credit base is reduced by certain amounts received as a tax-free pension or annuity (for example, under Social Security or the Railroad Retirement System). The credit base also is reduced by one-half of the adjusted gross income in excess of certain limitations. These limitations are:</p> <p>\$7,500----- Single individuals; \$10,000---- Joint returns; or \$5,000----- Married individuals filing separate returns.</p>		<p><i>Income limitation.</i>—Increases the income limitation to \$15,000 for a single person and \$17,500 for a married couple where both spouses are age 65 or over and to \$8,750 for a married individual filing separately.</p> <p>Effective date.—Taxable years beginning after December 31, 1978.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><th><i>Fiscal year</i></th><th><i>Millions</i></th></tr><tr><td>1979 -----</td><td>\$104</td></tr><tr><td>1980 -----</td><td>278</td></tr><tr><td>1981 -----</td><td>278</td></tr><tr><td>1982 -----</td><td>278</td></tr><tr><td>1983 -----</td><td>278</td></tr></table> <p>(Of this reduction \$100 million is attributable to the higher credit base and \$178 million to the higher income limitation.)</p>	<i>Fiscal year</i>	<i>Millions</i>	1979 -----	\$104	1980 -----	278	1981 -----	278	1982 -----	278	1983 -----	278	
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1979 -----	\$104															
1980 -----	278															
1981 -----	278															
1982 -----	278															
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10. Credit for child care services (section 167 of the Senate amendment) (Senate floor amendment by Senator Dole, adopted by voice vote.)	<p>Payments for child care services by a taxpayer to certain relatives qualify for the child care credit only if the services constitute "employment," as defined for Social Security purposes. Under the Social Security definition, child care services rendered by a grandparent generally do not constitute employment.</p>	<p>No provision. (However, the Senate amendment is substantially identical to H.R. 8535, as passed by the House.)</p>	<p>Provides generally that payments to grandparents for care of their grandchildren may qualify for the child care credit.</p> <p>Effective date.—Taxable years beginning after December 31, 1978.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><th><i>Fiscal year</i></th><th><i>Millions</i></th></tr><tr><td>1979 -----</td><td>\$5</td></tr><tr><td>1980 -----</td><td>38</td></tr><tr><td>1981 -----</td><td>39</td></tr><tr><td>1982 -----</td><td>40</td></tr><tr><td>1983 -----</td><td>39</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1979 -----	\$5	1980 -----	38	1981 -----	39	1982 -----	40	1983 -----	39	
<i>Fiscal year</i>	<i>Millions</i>															
1979 -----	\$5															
1980 -----	38															
1981 -----	39															
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Item	Present Law	House Bill	Senate Amendment	Conference Action												
11. Tuition tax credit (section 513 of the Senate amendment) (Senate floor amendment by Senator Packwood, adopted by vote of 67 to 26).	Under present law, there is no tax credit for personal educational expenses.	No provision. (However, the conference report on H.R. 12050 is identical to the Senate amendment.)	<p>Provides a nonrefundable tax credit equal to 35 percent of the tuition paid to one or more institutions of higher education or postsecondary vocational schools by an individual for himself, his spouse, or his dependents.</p> <p>Maximum allowable credit for tuition paid to any one institution:</p> <p>(1) \$100 for calendar year 1978. (2) \$150 for calendar year 1979. (3) \$250 for calendar years 1980 and 1981.</p> <p>Effective date.—The credit applies to amounts paid for education on or after August 1, 1978, for education furnished on or after that date. Expenses of half-time students are eligible for credit as of January 1, 1980. The credit will remain in effect through calendar year 1981.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><th><i>Fiscal year</i></th><th><i>Millions</i></th></tr><tr><td>1979</td><td>----- \$330</td></tr><tr><td>1980</td><td>----- 539</td></tr><tr><td>1981</td><td>----- 968</td></tr><tr><td>1982</td><td>----- 845</td></tr><tr><td>1983</td><td>----- --</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1979	----- \$330	1980	----- 539	1981	----- 968	1982	----- 845	1983	----- --	Out
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C. Deferred Compensation Plans

Item	Present Law	House Bill	Senate Amendment	Conference Action
12. State and local government deferred compensation plans (section 121 of the House bill and section 131 of the Senate amendment)	<p>Under present law, a cash method taxpayer generally is not required to include compensation in income until it is actually received or otherwise made available. Compensation generally is considered made available to the taxpayer if there are no substantial restrictions on the right to receive it.</p> <p>If a taxpayer enters into an agreement with a payor to receive compensation on a deferred basis, rather than currently, the taxpayer generally will not be in constructive receipt of that compensation (i.e., it is not considered to be made available) so long as the agreement is made before the taxpayer obtains an unqualified and unconditional right to the compensation. This rule generally will apply whether a taxpayer provides services for a State or local government, a tax-exempt organization, or a taxable organization. In addition, there are no limitations under present law on the amount of deferred compensation that can be offered to rank-and-file employees under a church plan or a governmental plan. Unfunded deferred compensation plans maintained by tax-exempt organizations or taxable entities are limited to providing benefits in excess of those permitted under tax-qualified plans, or their coverage must be limited primarily to highly compensated employees and managerial employees.</p>	<p>Provides that amounts of compensation deferred by a participant in an eligible deferred compensation plan maintained by a State or local government unit or a tax-exempt rural electric cooperative (and certain tax-exempt affiliates), plus any income attributable to the investment of such deferred amounts, will be includible in the income of the participant or his beneficiary only when such amounts are paid or otherwise made available. Independent contractors may defer compensation under these plans.</p> <p>To qualify as an eligible deferred compensation plan, the plan must not allow the deferral of more than \$7,500, or 33$\frac{1}{3}$ percent of the participant's includible compensation for the taxable year, whichever is less. Participants in these plans must reduce the \$7,500 and 33$\frac{1}{3}$ percent limitations by the amounts deferred under any tax-sheltered annuity program which are excludable from income under section 403(b). In addition, the plan must satisfy other requirements relating to (1) the time an election to defer must be made (Except in the case of new employees or newly implemented plans, the election to defer compensation must be made before the beginning of the plan year for which the deferral election is to be effective.), (2) the time distributions can be made under the plan, and (3) the ownership of investments made with deferred amounts. The plan can provide increased limitations in the three years before a participant's retirement.</p>	<p>Same as the House bill, except that it applies only to participants in plans maintained by State or local governments.</p> <p>Same as the House bill (with minor technical changes), except that it would permit participants to make monthly, rather than annual, elections to defer compensation.</p>	<p>h</p> <p>h</p>

Item	Present Law	House Bill	Senate Amendment	Conference Action
	<p>On February 3, 1978, the Internal Revenue Service issued proposed regulations which provided generally that, if payment of an amount of a taxpayer's fixed basic or regular compensation is deferred at the taxpayer's individual election to a taxable year later than that in which the amount would have been payable but for the election, the deferred amount would be treated as received in the earlier taxable year. These proposed regulations would apply to plans maintained by State and local governments and tax-exempt organizations, as well as plans maintained by taxable employers.</p>	<p>Effective date.—All plans to which the House bill applies will have until January 1, 1982, to satisfy the plan requirements for classification as an eligible State deferred compensation plan. However, the limitations on amounts that can be deferred under such a plan will apply for all taxable years beginning after December 31, 1978.</p> <p>Revenue effect.—This provision continues the existing tax treatment of these types of plans, within certain limitations, and therefore it has a negligible effect on budget receipts.</p>	<p>Effective date.—Same as the House bill.</p> <p>Revenue effect.—Same as the House bill.</p>	h
13. Private nonqualified plans (section 122 of the House bill and section 132 of the Senate amendment)	<p>Same as "State and local government deferred compensation plans" (above).</p>	<p>Provides that the taxable year for including compensation deferred under a deferred compensation plan maintained by a taxable entity is to be determined in accordance with the principles set forth in regulations, rulings, and judicial decisions relating to deferred compensation which were in effect on February 1, 1978. Employees of tax-exempt organizations are not covered by this section.</p> <p>Effective date.—This provision is effective for taxable years ending on or after February 1, 1978.</p> <p>Revenue effect.—Negligible effect on budget receipts.</p>	<p>Same as the House bill, except that it applies also to participants in plans maintained by tax-exempt organizations.</p> <p>Effective date.—Same as the House bill.</p> <p>Revenue effect.—Same as the House bill.</p>	h
14. Payments to independent contractors (section 123 of the House bill and section 133 of the Senate amendment)	<p>Under present law, an employer generally is permitted a deduction for deferred compensation provided under a nonqualified plan in the year that such compensation is includible in the employee's gross income, even though the employer is on the accrual basis and normally would be entitled to a current deduction. This rule applies to any method of contributions or compensation having the effect of a plan deferring the receipt of compensation.</p>	<p>Adds a new provision which denies a deduction for deferred compensation provided under a nonqualified plan to nonemployee participants until that compensation is includible in the gross income of the participants.</p> <p>Also clarifies current law by providing that a method of compensation or employer contributions having the effect of a plan deferring the receipt of compensation does not have to be similar to a stock bonus, pension, profit-sharing, or annuity plan to be subject to the deferred compensation deduction-timing rules.</p>	<p>Same as the House bill.</p>	h

Item	Present Law	House Bill	Senate Amendment	Conference Action
	<p>The rule permitting a deduction for deferred compensation only when there is a corresponding income inclusion by a plan participant applies only where there is an employer-employee relationship. Thus, an accrual basis taxpayer generally is able to establish an unfunded deferred compensation plan for a cash basis independent contractor and obtain a deduction for such liability in accordance with the usual accrual accounting rules.</p>	<p>Effective date.—The provision applies to deductions for taxable years beginning after December 31, 1978.</p> <p>Revenue effect.—Negligible effect on budget receipts.</p>	<p>Effective date.—Same as the House bill.</p> <p>Revenue effect.—Same as the House bill.</p>	
<p>15. Tax treatment of “cafeteria plans” (section 124 of the House bill and section 134 of the Senate amendment)</p>	<p>Under a “cafeteria” or “flexible benefit” plan an employee may choose from a package of employer-provided fringe benefits, some of which may be taxable and some of which may be nontaxable. Under a provision of the Employee Retirement Income Security Act of 1974 (ERISA), an employer contribution made before January 1, 1977, to a cafeteria plan in existence on June 27, 1974, is required to be included in an employee’s gross income only to the extent that the employee actually elects taxable benefits. In the case of a plan not in existence on June 27, 1974, the employer contribution is required to be included in income to the extent the employee could have elected taxable benefits. Under the Tax Reform Act of 1976, these rules apply with respect to employer contributions made before January 1, 1978. (Both the House- and Senate-passed versions of the Tax Treatment Extension Act, H.R. 9251, contain a provision which would extend these rules to employer contributions made before January 1, 1980.)</p>	<p>Generally, employer contributions under a cafeteria plan are excluded from the employee’s gross income to the extent that nontaxable benefits are elected. However, in the case of a highly compensated employee, amounts contributed under a cafeteria plan will be included in gross income for the taxable year in which the plan year ends, to the extent the individual could have elected taxable benefits, unless the plan meets specified antidiscrimination standards with respect to coverage and eligibility and with respect to contributions or benefits.</p>	<p>Same as the House bill, except for minor technical changes.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
		<p><i>Coverage and eligibility.</i>—A cafeteria plan will be considered to meet the coverage standards if it benefits a classification of employees found by the Secretary not to discriminate in favor of highly compensated employees. The plan will meet the eligibility standards of the bill if it (1) does not require an employee to complete more than three years of employment before becoming eligible to participate, and (2) allows an employee who is otherwise eligible to participate to enter the plan as a participant not later than the first day of the first plan year beginning after the date the employee completes three years of employment.</p> <p><i>Contributions or benefits.</i>—A plan will not be discriminatory if total benefits and nontaxable benefits attributable to highly compensated employees, measured as a percentage of compensation, are not significantly greater than total benefits and nontaxable benefits attributable to other employees (measured on the same basis), provided the plan is not otherwise discriminatory under the standards of the bill.</p> <p>In the case of a cafeteria plan which provides health benefits, the plan will not be treated as discriminatory if:</p> <p>(1) contributions on behalf of each participant include an amount which equals either 100 percent of the cost of health benefit coverage under the plan of the majority of highly compensated participants who are similarly situated (e.g., same family size), or 75 percent of the cost of the most expensive health benefit coverage elected by any similarly situated plan participant, and (2) the other contributions or benefits provided by the plan bear a uniform relationship to the compensation of plan participants.</p>		

Item	Present Law	House Bill	Senate Amendment	Conference Action
16. Tax treatment of cash or deferred profit-sharing plans (section 125 of the House bill and section 135 of the Senate amendment)	<p>Under present law, the benefits or contributions under a tax-qualified plan must not discriminate in favor of employees who are officers, shareholders, or highly compensated, and the plan must meet standards designed to assure that the classification of employees covered by the plan is not discriminatory. In the case of a tax-qualified cash or deferred profit-sharing plan, the employer gives the employee the choice of (1) being paid a specified amount in cash as current compensation, or (2) having that amount contributed to the plan. A 1956 revenue ruling upheld the tax-qualified status of a cash or deferred profit-sharing plan by providing that a plan did not discriminate where over one-half of the employees who elected profit-sharing contributions (deferral), rather than current compensation, were among the lowest paid two-thirds of the employees who had met the plan's 3-year eligibility requirements.</p> <p>On December 6, 1972, the Internal Revenue Service issued proposed regulations which questioned the tax treatment of employees covered by cash or deferred profit-sharing plans. Under the rules in effect at the time of the proposal, an employee was not taxed currently on amounts he chose to have contributed to a tax-qualified cash or deferred profit-sharing plan.</p> <p>In order to allow time for Congressional study of this area, section 2006 of the Employee Retirement Income Security Act of 1974 (ERISA) pro-</p>	<p>Effective date.—This provision is effective for taxable years beginning after December 31, 1978.</p> <p>Revenue effect.—This provision will have no effect on budget receipts.</p> <p>Changes present law with respect to new cash or deferred profit-sharing plans by permitting those plans to be tax-qualified, provided the plans satisfy the law with respect to cash or deferred profit-sharing plans as it was administered before January 1, 1972.</p>	<p>Effective date.—Same as the House bill.</p> <p>Revenue effect.—Same as the House bill.</p> <p>Provides that a participant in a qualified cash or deferred arrangement will not have to include in income any employer contribution to the plan merely because he could have elected to receive such amount in cash instead. For a cash or deferred arrangement to be a tax-qualified plan, it must satisfy the normal pension plan qualification rules. In addition, it must satisfy the following requirements: (1) it must not permit the distribution of amounts attributable to employer contributions merely because of the completion of a stated period of plan participation or the passage of a fixed period of time (unlike profit-sharing plans in general, where distributions may be made in the third calendar year following the calendar year of the employer's contribution), and (2) all amounts contributed by the employer pursuant to an employee's election must be non-forfeitable at all times.</p> <p>Special nondiscrimination rules are provided for these arrangements to test for discrimination as to actual plan participation or as to the amount of contributions to the plan. Under these rules, a cash or deferred arrangement will meet the nondiscrimination requirements for qualification for a plan year if (1) the actual deferral percentage for the highest paid one-third of all eligible employees does not exceed the actual deferral percentage for the other eligible employees by more than 50 percent, or</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
	<p>vided for a temporary freeze of the status quo. Under ERIISA, the tax treatment of contributions to cash or deferred profit-sharing plans in existence on June 27, 1974, is governed under the law as it was applied prior to January 1, 1972, and this treatment was to continue at least through December 31, 1976, or (if later) until regulations are issued in final form in this area.</p> <p>In the case of plans not in existence on June 27, 1974, contributions to a cash or deferred profit-sharing plan are treated as employee contributions (until January 1, 1977, or until new regulations are prescribed in this area). This was intended to prevent a situation where a new plan might begin in reliance on pre-1972 law before Congress has determined what the law should be in the future.</p> <p>The Tax Reform Act of 1976 extended the temporary freeze on the status quo until January 1, 1978, in order to allow additional time for Congressional study in this area. (The Tax Treatment Extension Act, H.R. 9251, different versions of which passed the House and the Senate, contains a provision which would extend the freeze of the status quo until January 1, 1980.)</p>	<p>Effective date.—This provision is effective for taxable years beginning after December 31, 1977.</p>	<p>(2) the actual deferral percentage for the highest paid one-third of all eligible employees does not exceed the actual deferral percentage of the other eligible employees by more than three percentage points. (If this latter test is used, the actual deferral percentage for the highest paid one-third cannot exceed the actual deferral percentage of all other eligible employees by more than 150 percent.)</p> <p>Effective date.—The amendment is effective for taxable years beginning after December 31, 1979; however, a transitional rule is provided for those cash or deferred arrangements in existence on January 27, 1974 under which their qualified status for plan years beginning before January 1, 1980 will be determined in a manner consistent with Rev. Rul. 56-497 (1956-2 C.B. 284), Rev. Rul. 63-180 (1963-2 C.B. 189), and Rev. Rul. 68-89 (1968-1 C.B. 402).</p>	
	<p>Revenue effect.—This provision will have no effect on budget receipts.</p>	<p>Revenue effect.—Negligible effect on budget receipts.</p>		

D. Employee Stock Ownership Plans (ESOPs)

Item	Present Law	House Bill	Senate Amendment	Conference Action
17. Employee stock ownership plans (section 141 of the Senate amendment)				
a. Provisions relating to TRASOPs	<p>The TRASOP provisions are due to expire on December 31, 1980.</p> <p>TRASOPs are not required to be tax-qualified plans.</p> <p>Allocation of employer securities made to participant employed at any time during the year.</p> <p>80 percent control test used in determining whether stock of parent can be contributed to subsidiary corporation.</p> <p>Where parent stock is contributed to a subsidiary, gain may be recognized to the subsidiary on the contribution.</p> <p>Amount of credit contributed may result in increased minimum tax.</p> <p>Employer contribution for amount of extra one-half percent of investment tax credit may be made and credit used before matching employee contributions received.</p> <p>Employer allowed to withdraw amount of recaptured investment tax credit.</p> <p>ESOPs may hold common stock of employer and certain debt instruments.</p>	<p>No provision.</p> <p>No provision.</p>	<p>TRASOP provisions are made permanent.</p> <p>TRASOPs required to be tax-qualified plans.</p> <p>Allocation rules with respect to service the same as those for qualified plan.</p> <p>Control test changed to 50 percent.</p> <p>Provides for non-recognition of gain on contribution of parent stock to subsidiary (including second tier subsidiary).</p> <p>Amount of credit contributed will not result in increase in minimum tax.</p> <p>Employer can make contribution with respect to extra one-half percent of investment tax credit only when matching employee contribution is received.</p> <p>Employer no longer permitted to withdraw amount of recaptured investment tax credit.</p> <p>ESOPs and TRASOPs may hold:</p> <p>(1) common stock of employer; or</p> <p>(2) preferred stock convertible to common.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
b. Provisions relating to ESOPs and TRASOPs	<p>TRASOPs may hold common stock of employer with dividend and voting rights at least as favorable as the other common stock outstanding, or securities convertible to such common stock.</p> <p>No pass-through voting required for stock in ESOP.</p> <p>ESOPs and TRASOPs which are stock bonus plans are required to distribute stock. All other ESOPs and TRASOPs may distribute cash or stock.</p> <p>Under regulations, certain requirements exist with respect to "put options" for persons receiving a distribution of employer securities.</p>		<p>For ESOPs and TRASOPs:</p> <p>(1) if stock is publicly traded, voting must be passed through to participants.</p> <p>(2) if stock is not publicly traded, participants must be entitled to vote on corporate issues which must be decided by more than a majority vote of common shareholders(e.g., merger or consolidation). (This requirement also is made applicable to any defined contribution plan which invests more than 10 percent of its assets in employer securities which are not publicly traded.)</p> <p>Participant has a right to demand a distribution of employer securities. Subject to that right, the ESOP or TRASOP may distribute cash.</p> <p>Persons receiving distributions of employer stock which is not publicly traded from an ESOP or a TRASOP must be given a "put option" pursuant to the following terms:</p> <p>(1) a 6-month option to require the employer to repurchase the stock market value;</p> <p>(2) a similar 3-month option after the close of the employer's taxable year in which the first option lapsed;</p> <p>(3) employer may give a 5-year, level payment installment note (without security) if either option is exercised. The note may be extended 5 additional years if the participant agrees, provided adequate security is given.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action								
c. Provisions relating to all tax-qualified plans	<p>Death benefit payable from qualified plan includible in estate of deceased participant if beneficiary receiving the distribution can elect lump sum distribution treatment.</p> <p>Rollover of distribution to IRA allowed only if all property received is rolled over.</p>	<p>No provision.</p>	<p>Death benefit excluded from estate of deceased participant if beneficiary elects in writing to waive lump sum distribution treatment and election is filed with estate tax return.</p> <p>Employer securities received in distribution may be sold and the proceeds contributed to an IRA.</p> <p>Effective date.—Modifications to the ESOP and TRASOP rules are effective after December 31, 1978. The TRASOP provisions are made permanent.</p> <p>Revenue effect.—There is no revenue effect for making TRASOP provisions permanent until after 1980. By making the TRASOP provisions permanent, budget receipts will be reduced by:</p> <table><tr><td><i>Fiscal year</i></td><td><i>Millions</i></td></tr><tr><td>1981</td><td>----- \$178</td></tr><tr><td>1982</td><td>----- 446</td></tr><tr><td>1983</td><td>----- 545</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1981	----- \$178	1982	----- 446	1983	----- 545	
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1981	----- \$178											
1982	----- 446											
1983	----- 545											

E. Retirement Plan Provisions

Item	Present Law	House Bill	Senate Amendment	Conference Action												
18. Deduction for certain employee retirement savings contributions (section 151 of the Senate amendment)	<p>Allows a deduction for a contribution to an IRA (an individual retirement account, annuity, or bond) for the lesser of 15 percent of earned income or \$1,500 (\$1,750 in the case of spousal IRAs). The deduction is not allowed to an active participant in a tax-qualified pension plan, a tax-sheltered annuity, or a governmental plan. No deduction is allowed for employee contributions to a qualified plan or a group retirement trust (a pre-1974 private annuity program under which benefits are fully vested and which is financed solely by employee contributions).</p> <p>Amounts held in an IRA are subject to an additional 10 percent income tax if distributed before age 59½, death, or disability.</p>	<p>No provision.</p>	<p>Allows a deduction to an active participant in a private qualified pension plan, or a group retirement trust of the lesser of 10 percent of earned income or \$1,000 or a contribution to a private qualified pension plan, an IRA or a group retirement trust. The deduction is limited to the lesser of 10 percent of earned income or \$1,000, but no more than \$100 is allowed as a deduction for mandatory contributions to a pension plan. Contributions must be on a nondiscriminatory basis.</p> <p>Deductible employee contributions can be withdrawn from a profit-sharing plan or a stock bonus plan in the event of death, disability, retirement, other separation from service, or hardship.</p> <p>Effective date.—Taxable years beginning after December 31, 1978.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><th>Fiscal year</th><th>Millions</th></tr><tr><td>1979</td><td>\$144</td></tr><tr><td>1980</td><td>352</td></tr><tr><td>1981</td><td>425</td></tr><tr><td>1982</td><td>487</td></tr><tr><td>1983</td><td>536</td></tr></table>	Fiscal year	Millions	1979	\$144	1980	352	1981	425	1982	487	1983	536	
Fiscal year	Millions															
1979	\$144															
1980	352															
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1983	536															

Item	Present Law	House Bill	Senate Amendment	Conference Action												
19. Simplified pensions plans (section 152 of the Senate amendment)	<p>Pension plans are subject to complex rules regarding employee participation requirements, vesting, nondiscrimination, funding, fiduciary matters, and self-dealing. Pension plans are also required to comply with detailed reporting and disclosure rules.</p> <p>Present law also provides for IRAs under which the rules are considerably less complex than those applicable to pension plans. Deductions for IRA contributions are limited to the lesser of 15 percent of earned income or \$1,500 (\$1,750 in the case of spousal IRAs).</p>	No provision.	<p>The deduction limit would be raised to the lesser of \$7,500 or 15 percent of earned income for an IRA to which an individual's employer makes contributions which do not discriminate in favor of employees who are officers, shareholders, or highly paid.</p> <p>Employees who have attained age 25 and have worked for the employer for at least 3 of the previous 5 years would share in the employer's contributions. Amounts contributed by an employer would be fully vested (subject to the usual rules for IRAs). Reporting and disclosure requirements would be reduced.</p> <p>If the employer contribution to an IRA under the bill is less than the usual limit on deductible IRA contributions, the employee could make up the difference.</p> <p>Employer contributions made to an IRA under the bill could be taken into account in determining whether an employer's pension plan meets the nondiscrimination requirements for tax qualification.</p> <p>Effective date.—Taxable years beginning after December 31, 1978.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><th><i>Fiscal year</i></th><th><i>Millions</i></th></tr><tr><td>1979</td><td>\$6</td></tr><tr><td>1980</td><td>18</td></tr><tr><td>1981</td><td>29</td></tr><tr><td>1982</td><td>39</td></tr><tr><td>1983</td><td>49</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1979	\$6	1980	18	1981	29	1982	39	1983	49	
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Item	Present Law	House Bill	Senate Amendment	Conference Action
20. Defined benefit plan limits (section 153 of the Senate amendment)	<p>Benefits under a qualified pension plan are limited to the lesser of 100 percent of pay or \$75,000 per year, adjusted for inflation since 1974 (\$90,150 for 1978).</p>	<p>No provision.</p>	<p>The 100-percent-of-pay limit would be disregarded in the case of an employee under a collectively bargained plan with at least 100 participants where—</p> <ol style="list-style-type: none"> benefits are not computed by reference to pay, benefits vest after not more than 4 years, employees participate after not more than 60 days of service, and the employee is not covered by any other plan of a sponsoring employer. <p>The \$75,000 limit on annual benefits would be reduced to \$37,500 (adjusted for inflation).</p> <p>Effective date.—Years beginning after December 31, 1978.</p> <p>Revenue effect.—Reduces budget receipts by less than \$5 million annually.</p>	
21. Custodial accounts for regulated investment companies (section 154 of the Senate amendment)	<p>Amounts paid by a tax-exempt charitable organization or an educational institution to purchase an annuity contract or mutual fund stock for an employee are excluded from the employee's income. Mutual fund stock cannot be distributed before age 65 unless the employee dies or becomes disabled and can be distributed after a separation from service only if the employee has attained age 55.</p> <p>Distributions can be made from a tax-qualified profit-sharing plan or stock bonus plan on account of hardship. Hardship distributions (other than for disability) are not permitted under tax-qualified pension plans.</p>	<p>No provision.</p>	<p>Permits distribution of mutual fund stock after an employee dies, becomes disabled, separates from service, attains age 59½, or encounters hardship.</p> <p>Effective date.—Taxable years beginning after December 31, 1978.</p> <p>Revenue effect.—Reduces budget receipts by less than \$5 million annually.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
22. Pension plan reserves (section 155 of the Senate amendment)	<p>Income of a life insurance company from reserves for annuity contracts sold to qualified pension plans, or sold for use as individual retirement annuities or tax-sheltered (sec. 403(b)) annuities is subject to more favorable tax treatment than income from reserves for other annuity contracts.</p>	<p>No provision.</p>	<p>Life insurance company income from reserves for annuity contracts sold to a governmental pension plan or to a government under an unfunded deferred compensation plan would be accorded the same tax treatment as applies to income from reserves for contracts sold to a qualified pension plan.</p> <p>Effective date.—Taxable years beginning after 1978.</p> <p>Revenue effect.—Reduces budget receipts by less than \$5 million annually.</p>	
23. Rollover of distributions from a tax-sheltered annuity (section of the Senate amendment) (Senate floor amendment by Senator Moynihan, adopted by voice vote.)	<p>Under present law, the recipient of a "lump-sum distribution" from a tax-qualified pension, profit-sharing, stock bonus, or annuity plan may defer tax on the receipt of such distribution by rolling over the proceeds (net of any employee contributions) within 60 days of receipt to an individual retirement arrangement or to another employer-sponsored qualified retirement plan. In lieu of rolling over the distribution to an individual retirement arrangement, the recipient of a lump-sum distribution (other than a lump-sum distribution caused by plan termination) may elect to compute his tax on the distribution by using special 10-year income averaging.</p> <p>Recipients of distributions under a tax-sheltered annuity purchased by an employer that is a tax-exempt organization or a public school are taxed under the usual annuity rules (section 72). They are not eligible for special 10-year averaging, and they are not eligible to roll distributions over to an individual retirement arrangement or to another tax-sheltered annuity.</p>	<p>The House bill contains no provisions concerning the rollover of distributions from a tax-sheltered annuity.</p>	<p>Permits recipients of a "lump-sum distribution" from a tax-sheltered annuity to defer tax on the distribution by rolling it over within 60 days of receipt to an individual retirement arrangement or to another tax-sheltered annuity.</p> <p>Effective date.—Distributions or transfers made after December 31, 1977, in taxable years beginning after that date.</p> <p>Revenue effect.—Negligible.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action												
24. Taxation of unemployment compensation (section 114 of House bill)	Unemployment compensation paid under government programs is excluded from adjusted gross income under a series of Internal Revenue Service rulings.	<p>Unemployment compensation paid under government programs would be included in adjusted gross income up to a limit. The limit would be one-half of the amount by which adjusted gross income (including unemployment compensation and disability income) exceeds \$20,000 for single taxpayers, \$25,000 for married taxpayers filing jointly, and zero for married taxpayers filing separately.</p> <p>Effective date.—Applies to unemployment compensation paid after December 31, 1978, in taxable years ending after that date.</p> <p>Revenue effect.—Increases budget receipts by:</p> <table><tr><th><i>Fiscal year</i></th><th><i>Millions</i></th></tr><tr><td>1979</td><td>---</td></tr><tr><td>1980</td><td>---</td></tr><tr><td>1981</td><td>---</td></tr><tr><td>1982</td><td>---</td></tr><tr><td>1983</td><td>---</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1979	---	1980	---	1981	---	1982	---	1983	---	No provision.	
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Item	Present Law	House Bill	Senate Amendment	Conference Action												
25. Uniformed Services Health Professions Scholarship programs (section 161(a) of the Senate amendment)	Participants in the Uniformed Services Health Professions Scholarship programs (including the Armed Forces and Public Health Services programs) entering before 1979 may exclude from their income amounts received under these programs through 1982.	No provision.	Extends the exclusion for 1 year to cover scholarships received by students entering these programs in 1979 (and applies for amounts received by such students under these programs through 1983). Effective date. —This provision is effective with respect to students entering programs in 1979, and applies for amounts received through 1983. Revenue effect. —Reduces budget receipts by less than \$5 million annually.													
26. National Research Service Awards (section 161(b) of the Senate amendment) (Senate floor amendment by Senator Javits' adopted by voice vote.)	Certain amounts received in connection with education may be excluded from income as scholarships or fellowships. In Rev. Rul. 77-319, the Service ruled that amounts received as National Research Service Awards under the Public Health Service Act of 1974 (42 U.S.C. section 2891(1)), which have no specific statutory exclusion, are not excludable scholarships or fellowship grants.	No provision.	Provides tax-exempt scholarship treatment for National Research Service Awards made through 1979. Effective date. —Applies to awards made during calendar years 1974 through 1979. Revenue effect. —Reduces budget receipts by: <table><tr><td><i>Fiscal year</i></td><td><i>Millions</i></td></tr><tr><td>1979</td><td>----- \$52*</td></tr><tr><td>1980</td><td>----- 18</td></tr><tr><td>1981</td><td>----- 10</td></tr><tr><td>1982</td><td>----- less than 5</td></tr><tr><td>1983</td><td>----- --</td></tr></table> *Includes prior years liabilities.	<i>Fiscal year</i>	<i>Millions</i>	1979	----- \$52*	1980	----- 18	1981	----- 10	1982	----- less than 5	1983	----- --	
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1982	----- less than 5															
1983	----- --															
27. Cancellation of certain student loans (section 162 of the Senate amendment)	The Tax Reform Act of 1976 provided that no amount is to be included in gross income by reason of the discharge of all or part of a student loan if, pursuant to the loan agreement, such discharge is made if the individual works for a certain period of time in certain geographical areas, or for certain classes of employers. This exclusion applies only to loans made by a governmental agency and is effective for discharge of such indebtedness if made before January 1, 1979.	No provision.	Extends the exclusion provided in present law to the discharge of such student loan indebtedness made before January 1, 1983. Effective date. —Applies with respect to loans forgiven prior to January 1, 1983. Revenue effect. —Reduces budget receipts by less than \$5 million annually.													

Item	Present Law	House Bill	Senate Amendment	Conference Action												
28. Employer educational assistance programs (section 163 of Senate amendment)	<p>Employer-provided educational assistance is includible in an employee's income and is subject to tax unless the education is "job-related." Educational expenditures generally are deductible if they are for education that (1) maintains or improves skills required by the individual's employment or other trade or business, or (2) meets the express requirements of the individual's employer or the requirements of applicable law or regulations imposed as a condition to the retention of an established employment relationship, status, or rate of compensation.</p>	<p>No provision.</p>	<p>Excludes from an employee's income educational assistance provided by an employer under a qualified program.</p> <p>Excludible "educational assistance" includes tuition, fees, books, course supplies and similar items, but does not include personal living expenses nor any benefits for instruction involving sports, games, or hobbies.</p> <p>A qualified program must be—</p> <p>(1) a separate written plan of an employer;</p> <p>(2) for the exclusive benefit of his employees; and</p> <p>(3) nondiscriminatory with respect to eligibility and participation.</p> <p>No more than 5 percent of an employer's annual costs for a program may benefit officers, highly compensated individuals, or owners of more than 5 percent of the employer's stock, capital, or profits interest.</p> <p>Employees may not elect taxable compensation in lieu of educational assistance. No deduction or credit can be claimed with respect to any amount excluded under this provision.</p> <p>Excludible assistance also is exempt from employment taxes.</p> <p>Effective date.—Taxable years beginning after December 31, 1978.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><th><i>Fiscal year</i></th><th><i>Millions</i></th></tr><tr><td>1979</td><td>\$18</td></tr><tr><td>1980</td><td>28</td></tr><tr><td>1981</td><td>31</td></tr><tr><td>1982</td><td>35</td></tr><tr><td>1983</td><td>39</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1979	\$18	1980	28	1981	31	1982	35	1983	39	<p><i>See Report</i></p>
<i>Fiscal year</i>	<i>Millions</i>															
1979	\$18															
1980	28															
1981	31															
1982	35															
1983	39															

Item	Present Law	House Bill	Senate Amendment	Conference Action
29. Tax counseling for the elderly (section 164 of the Senate amendment)	No provision (but the Internal Revenue Service has established a Volunteer Income Tax Assistance (VITA) program, which is designed to provide specific assistance to low-income taxpayers and others).	No provision. (However, on October 10, 1978, the House passed a provision similar to the Senate amendment in H.R. 3553, which authorizes amounts as may be necessary to carry out this provision.)	<p>Authorizes the Secretary of the Treasury, through the Internal Revenue Service, to enter into training and technical assistance agreements with private or public nonprofit agencies and organizations to prepare volunteers to provide tax counseling assistance for elderly individuals in the preparation of their Federal income tax returns. An "elderly individual" is defined as a person who has reached the age of 60 as of the close of a taxable year.</p> <p>The Service is authorized to provide reimbursement to volunteers for transportation, meals, and other expenses incurred by them in training or providing counseling assistance.</p> <p>Authorizes the appropriation of \$2.5 million for fiscal year 1979 and \$3.5 million for fiscal year 1980 to implement the provision.</p> <p>Effective date.—This provision is to be effective on the date of enactment.</p> <p>Revenue effect.—Negligible effect on budget receipts.</p>	<p>29</p>
30. Study by the Treasury Department on simplifying the filing of Federal income tax returns (section 165 (a) and (b) of the Senate amendment)*	Present law contains no provision requiring a specific study or report on tax simplification by the Treasury Department. (However, section 507 of the Tax Reform Act of 1976 required the Joint Committee on Taxation to conduct a study on simplifying the tax laws. A staff report to the Joint Committee was issued on September 19, 1977.)	No provision.	<p>Directs the Treasury Department to study methods by which the process of filing Federal income tax returns by individuals could be made simpler and to report with recommendations to the Senate Finance and House Ways and Means Committees within 6 months of enactment of this bill.</p> <p>Effective date.—This provision is effective upon enactment.</p> <p>Revenue effect.—This provision will not have any revenue effect.</p>	<p>30</p>

*See also item No. 112 (p. 95).


II. TAX SHELTER AND PARTNERSHIP PROVISIONS

Item	Present Law	House Bill	Senate Amendment	Conference Action
31. Modifications of the at risk provisions (sections 201-204 of the House bill)	<p>Present law contains two "at risk" rules which are designed to prevent a taxpayer from deducting losses in excess of his actual economic investment in the activity involved.</p> <p>The first of these at risk rules—"the specific at risk rule"—applies to four specified activities: (1) farming; (2) exploring for, or exploiting, oil and natural gas resources; (3) holding, producing, or distributing motion picture films or video tapes; and (4) leasing of personal property (section 465). This specific at risk rule applies to all types of taxpayers other than regular corporations (that is, corporations which are not subchapter S corporations or personal holding companies).</p>	<p><i>Extending the at risk rule to all activities other than real estate.</i>—The bill extends the specific at risk rule to all activities except real estate and repeals the partnership at risk rule. Separate rules for aggregation and separation of activities are provided for the activities to which the at risk rule is extended.</p> <p><i>Extension of at risk rules to closely held corporations.</i>—Extends the at risk rule to all corporations in which five or fewer individuals own more than 50 percent of the stock.</p>	No provision.	
	<p>Under the specific at risk rule, a taxpayer's loss for any taxable year from covered activities is limited to the amount the taxpayer has placed at risk and could actually lose from this activity.</p> <p>Taxpayers generally are not to be considered at risk with respect to the proceeds (or his share of the proceeds) of a nonrecourse loan used directly or indirectly to finance his participation in the activity. Also, a taxpayer is not considered at risk to the extent his economic participation is protected from loss by guarantees, repurchase agreements or insurance (except casualty insurance).</p>	<p><i>Recapture of losses where amount at risk is less than zero.</i>—Requires the recapture of previously allowed losses when the at risk amount is reduced below zero.</p> <p>If the amount at risk is reduced below zero (by distributions to the taxpayer, by changes in the status of indebtedness from recourse to nonrecourse, by the commencement of a guarantee or other similar arrangement which affects the taxpayer's risk of loss, or otherwise), the taxpayer will recognize income to the extent that his at risk basis is reduced below zero. However, the amount recaptured is limited to the excess of the losses previously allowed in that activity over any amounts previously recaptured.</p>	No provision.	
	<p>Losses which may not be deducted for any taxable year because of the specific at risk rule are deferred and may be deducted in any subsequent year in which this at risk limitation does not prevent the deduction.</p>	<p><i>Effective date.</i>—The amendments made to the at risk rule generally apply to taxable years beginning after December 31, 1978.</p>	No provision.	

Item	Present Law	House Bill	Senate Amendment	Conference Action												
	<p>The second at risk rule—"the partnership at risk rule"—applies generally to activities engaged in through partnerships. This rule provides that, for purposes of the limitation on allowance of partnership losses, the adjusted basis of a partner's interest does not include any portion of any partnership liability with respect to which the partner has no personal liability. However, there are two exceptions to this rule. First, the rule does not apply to any activity to the extent that the specific at risk rule applies. Second, the rule does not apply to any partnership the principal activity of which is investing in real property (other than mineral property).</p>	<p>Revenue effect.—Increases budget receipts by:</p> <table><tr><td>Fiscal year:</td><td><i>Millions</i></td></tr><tr><td>1979</td><td>\$2</td></tr><tr><td>1980</td><td>14</td></tr><tr><td>1981</td><td>10</td></tr><tr><td>1982</td><td>8</td></tr><tr><td>1983</td><td>5</td></tr></table>	Fiscal year:	<i>Millions</i>	1979	\$2	1980	14	1981	10	1982	8	1983	5		
Fiscal year:	<i>Millions</i>															
1979	\$2															
1980	14															
1981	10															
1982	8															
1983	5															
32. Partnership provisions	<p>Partnerships are not taxable entities. Instead, partnerships are required to file annual returns reporting each partner's distributive share of income, deductions and credits of the partnership. Each partner is required to report such items on his own income tax return.</p> <p>There is no civil penalty for failure to file a complete or timely partnership information return.</p>		Same as the House bill.													
a. Penalty for failure to file return (section 211 of the House bill and section 171 of the Senate amendment)																

Item	Present Law	House Bill	Senate Amendment	Conference Action
b. <i>Extension of statute of limitations (section 212 of the House bill)</i>		<p>Effective date.—Effective for partnership returns due for taxable years beginning after December 31, 1978.</p> <p>Revenue effect.—No effect on budget receipts.</p>		
	Under present law, the Service may assess an additional tax, or a taxpayer may claim a refund, generally within 3 years from the date the tax return is filed. Items of partnership income, deduction and credit are treated the same as other items on a taxpayer's return under these rules.	<p>The bill extends generally to 4 years the period of time in which assessments of deficiencies and claims for refund of tax attributable to partnership items may be made. This rule applies only to partnership items attributable to "federally registered partnerships" (that is, generally those partnerships required to register or file reports with the SEC). Partnership items generally are items of partnership income, deduction and credit and other items appropriately determined at the partnership level.</p> <p>This period of limitations begins to run on the due date (or date filed, if later) of the partnership information return. This period of limitations is in addition to, and not a replacement of, the present law period of limitations.</p> <p>This special period of limitations does not expire in any event until at least 1 year after the partner's name and address is provided to the Service in the manner prescribed by regulations.</p> <p>This special period of limitations may be extended as to all partners by any general partner of the partnership or by any other person authorized to do so by the partnership in writing.</p> <p>Effective date.—Effective for partnership items arising in partnership taxable years beginning after December 31, 1978.</p> <p>Revenue effect.—No effect on budget receipts.</p>	No provision.	
	This period of limitations begins to run on the due date (or date filed, if later) of the taxpayer's income tax returns. The due date (or filing date) of the partnership information return does not affect the statutory period.			
	In order to extend the period of limitations, the Service must obtain the consent of the individual taxpayer involved. The agreement to extend generally relates to all items on the taxpayer's return.			

III. GENERAL STOCK OWNERSHIP PLANS

Item	Present Law	House Bill	Senate Amendment	Conference Action
33. General Stock Ownership Corporations (section 201 of the Senate amendment)	There are no special provisions relating to the establishment of a private corporation for the benefit of residents of a State.	No provision.	<p><i>In general.</i>—Authorizes a State to establish a General Stock Ownership Corporation ("GSOC") for the benefit of its citizens.</p> <p><i>Definition of GSOC.</i>—Provides that a GSOC must meet the following statutory tests:</p> <p>(1) It must be chartered by the State legislature or by a State-wide referendum.</p> <p>(2) The charter must provide shares for all of the State's citizens and subject such shares to certain restrictions on transferability.</p> <p>(3) The charter must not permit the GSOC to acquire property by eminent domain.</p> <p>(4) The GSOC may not be affiliated with any other corporation.</p> <p>(5) The GSOC must be organized after December 31, 1978, and before January 1, 1984.</p> <p><i>Election.</i>—Provides for special tax treatment to a GSOC if it makes an irrevocable election.</p> <p><i>Taxation of a GSOC.</i>—The GSOC is not subject to Federal income taxation at the corporate level.</p> <p><i>Taxation of shareholders.</i>—Shareholders of a GSOC are taxable on their pro rata share of the GSOC's taxable income. The GSOC computes its taxable income in the same manner as a regular corporation, but is not eligible for the dividends received deduction. GSOC losses do not flow through to shareholders. Instead, the GSOC is allowed a 10-year net operating loss carryforward.</p> <p><i>Distributions.</i>—The GSOC is required to distribute to its shareholders 90 percent of its taxable income. Distributions are tax free to the extent they have been previously taxed to the shareholders.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
			<p><i>Withholding.</i>—The GSOC is required to withhold 30 percent from every distribution made to shareholders.</p> <p><i>Effective date.</i>—This provision applies to corporations organized after December 31, 1978 and before January 1, 1984.</p> <p><i>Revenue effect.</i>—The cost of the provision is expected to be negligible during the next few years; however, the long-run cost could be substantial.</p>	

IV. BUSINESS TAX REDUCTIONS AND REVISIONS

A. Corporate Rate Reductions

Item	Present Law	House Bill	Senate Amendment	Conference Action																																																
34. Corporate rate reductions (section 301 of the House bill and section 301 of the Senate amendment)	<p>Corporate income is subject to a normal tax of 20 percent on the first \$25,000 of taxable income and 22 percent on taxable income in excess of \$25,000. In addition, a surtax of 26 percent is imposed on corporate taxable income in excess of \$50,000.</p> <p>For taxable years ending after December 31, 1978, the normal tax will be 22 percent on all corporate taxable income. In addition, the 26-percent surtax will be imposed on all taxable income in excess of \$25,000. Thus, for taxable years ending after December 31, 1978, corporations will pay corporate income tax of 22 percent on the first \$25,000 of taxable income and 48 percent on taxable income in excess of \$25,000.</p>	<p>Replaces the present normal tax and surtax with the following rate schedule:</p> <table><tr><td>Taxable income:</td><td>Percent</td></tr><tr><td>\$0 to \$25,000-----</td><td>17</td></tr><tr><td>\$25,000 to \$50,000-----</td><td>20</td></tr><tr><td>\$50,000 to \$75,000-----</td><td>30</td></tr><tr><td>\$75,000 to \$100,000-----</td><td>40</td></tr><tr><td>Over \$100,000-----</td><td>46</td></tr></table> <p>Effective date.—Taxable years beginning after December 31, 1978.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><td><i>Fiscal year</i></td><td><i>Millions</i></td></tr><tr><td>1979 -----</td><td>\$2,281</td></tr><tr><td>1980 -----</td><td>5,286</td></tr><tr><td>1981 -----</td><td>5,788</td></tr><tr><td>1982 -----</td><td>6,338</td></tr><tr><td>1983 -----</td><td>6,940</td></tr></table> <p>The combined effect of extending the present corporate tax rates and the additional revenue effects of enacting the rate structure in this provision will be a reduction in budget receipts of:</p> <table><tr><td><i>Fiscal year</i></td><td><i>Millions</i></td></tr><tr><td>1979 -----</td><td>\$3,208</td></tr><tr><td>1980 -----</td><td>7,434</td></tr><tr><td>1981 -----</td><td>8,140</td></tr><tr><td>1982 -----</td><td>8,913</td></tr><tr><td>1983 -----</td><td>9,759</td></tr></table>	Taxable income:	Percent	\$0 to \$25,000-----	17	\$25,000 to \$50,000-----	20	\$50,000 to \$75,000-----	30	\$75,000 to \$100,000-----	40	Over \$100,000-----	46	<i>Fiscal year</i>	<i>Millions</i>	1979 -----	\$2,281	1980 -----	5,286	1981 -----	5,788	1982 -----	6,338	1983 -----	6,940	<i>Fiscal year</i>	<i>Millions</i>	1979 -----	\$3,208	1980 -----	7,434	1981 -----	8,140	1982 -----	8,913	1983 -----	9,759	<p>Same as the House bill except that amounts over \$100,000 would be subject to a 46 percent rate for taxable years beginning after December 31, 1978 and before January 1, 1980; a 45 percent rate for taxable years beginning after December 31, 1979 and before January 1, 1981; and a 44 percent rate for taxable years beginning after December 31, 1980 and before January 1, 1983.</p> <p>Effective date.—Same as the House bill.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><td><i>Fiscal year</i></td><td><i>Millions</i></td></tr><tr><td>1979 -----</td><td>\$2,281</td></tr><tr><td>1980 -----</td><td>6,109</td></tr><tr><td>1981 -----</td><td>8,616</td></tr><tr><td>1982 -----</td><td>10,558</td></tr><tr><td>1983 -----</td><td>11,561</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1979 -----	\$2,281	1980 -----	6,109	1981 -----	8,616	1982 -----	10,558	1983 -----	11,561	
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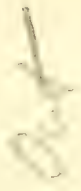
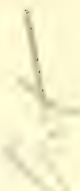
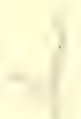
B. Investment Tax Credit Provisions

Item	Present Law	House Bill	Senate Amendment	Conference Action												
35. Permanent extension of 10 percent credit and \$100,000 used property limitation (section 311 of House bill and section 311 of Senate amendment)	The investment credit rate was temporarily increased from 7 percent (4 percent for certain utility property) to 10 percent in 1975. The annual limitation on used property for credit purposes was also increased from \$50,000 to \$100,000 in 1975. These temporary increases are scheduled to expire in 1981.	Makes permanent the 10 percent investment credit rate and the \$100,000 used property limitation. Effective date. —Becomes effective in 1981, when the temporary increases would expire. Revenue effect. —No revenue effect for fiscal years 1979 and 1980. Reduces budget receipts by: <table><tr><td><i>Fiscal year</i></td><td><i>Millions</i></td></tr><tr><td>1981</td><td>\$2,071</td></tr><tr><td>1982</td><td>5,201</td></tr><tr><td>1983</td><td>6,283</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1981	\$2,071	1982	5,201	1983	6,283	Same as the House bill. Effective date. —Same as the House bill. Revenue effect. —Same as the House bill.	h				
<i>Fiscal year</i>	<i>Millions</i>															
1981	\$2,071															
1982	5,201															
1983	6,283															
36. Increase in tax liability limitation to 90 percent (section 312 of House bill and section 312 of Senate amendment)	Taxpayers generally may use investment credits to apply against the first \$25,000 of tax liability, plus 50 percent of tax liability in excess of \$25,000. Special temporary increased limitations are presently allowed for utility property, airline property and railroad property.	Increases the 50-percent limitation to 90 percent, to be phased-in at 10 additional percentage points per year beginning with taxable years which end in 1979. Rules also are provided to allow taxpayers with utility, airline and railroad property to use the higher limitation available under either present law or this provision during the phase-in period. Effective date. —Effective for taxable years ending after December 31, 1978. Revenue effect. —Reduces budget receipts by: <table><tr><td><i>Fiscal year</i></td><td><i>Millions</i></td></tr><tr><td>1979</td><td>\$129</td></tr><tr><td>1980</td><td>441</td></tr><tr><td>1981</td><td>872</td></tr><tr><td>1982</td><td>1,015</td></tr><tr><td>1983</td><td>782</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1979	\$129	1980	441	1981	872	1982	1,015	1983	782	Same as the House bill. Effective date. —Same as the House bill. Revenue effect. —Same as the House bill.	L
<i>Fiscal year</i>	<i>Millions</i>															
1979	\$129															
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1981	872															
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1983	782															

Item	Present Law	House Bill	Senate Amendment	Conference Action																								
37. Increased credit for pollution control facilities (section 313 of House bill and section 313 of Senate amendment)	The investment credit is allowed for only one-half of the investment in pollution control facilities where 5-year amortization has been elected.	Generally allows the credit for the full investment where 5-year amortization is elected. Where the facility is also financed with tax-exempt industrial development bonds, the credit is allowed for only one-half of the investment subject to 5-year amortization. Effective date. —Effective for pollution control facilities acquired or constructed after December 31, 1978. Revenue effect. —Reduces budget receipts by: <table><tr><th>Fiscal year</th><th>Millions</th></tr><tr><td>1979</td><td>\$6</td></tr><tr><td>1980</td><td>18</td></tr><tr><td>1981</td><td>42</td></tr><tr><td>1982</td><td>76</td></tr><tr><td>1983</td><td>104</td></tr></table>	Fiscal year	Millions	1979	\$6	1980	18	1981	42	1982	76	1983	104	Same as House bill, except the limitation of one-half credit where the facility is financed with industrial development bonds is eliminated. Effective date. —Same as the House bill. Revenue effect. —Reduces budget receipts by: <table><tr><th>Fiscal year</th><th>Millions</th></tr><tr><td>1979</td><td>\$10</td></tr><tr><td>1980</td><td>34</td></tr><tr><td>1981</td><td>85</td></tr><tr><td>1982</td><td>156</td></tr><tr><td>1983</td><td>211</td></tr></table>	Fiscal year	Millions	1979	\$10	1980	34	1981	85	1982	156	1983	211	
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3. Investment credit for rehabilitation expenditures for certain structures (section 314 of House bill)	Buildings and their structural components are not eligible for the investment credit, nor are expenditures for rehabilitating or renovating existing buildings.	Extends the investment credit to rehabilitation expenditures for all types of business and productive buildings, except those, such as apartments, which are used for residential purposes. Eligible buildings include factories, warehouses, hotels, and retail and wholesale stores. Qualifying expenditures are depreciable rehabilitation costs incurred after July 26, 1978, in connection with a building which has been in use for at least 5 years, for the interior or exterior renovation, restoration or reconstruction of the building. Costs for acquiring or completing a building, or for the replacement or enlargement of a building, are excluded. If more than 25 percent of the exterior walls are replaced, the costs will not qualify.	Under a floor amendment by Senator Metzenbaum (adopted by a 38-31 vote), the credit would be extended to the same type of rehabilitation expenditures for buildings as the House bill. Same as the House bill, except that: (1) expenditures must be incurred after September 1, 1979, and (2) the building must have been in use for at least 20 years.																									
Qualifying expenditures																												

Item	Present Law	House Bill	Senate Amendment	Conference Action																								
General rules		<p>The costs must have useful lives of at least 5 years and the credit will be determined using the present limitations applicable to useful lives. In addition, the costs must be incurred at least 5 years after the last prior qualifying rehabilitation (if any) was completed. The credit is not available where 5-year amortization has been elected for rehabilitation costs on a certified historic structure.</p> <p>Effective date.—Taxable years ending after July 26, 1978, with respect to qualifying expenditures incurred after that date. The historic structures provision applies to property placed in service after July 26, 1978.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><th><i>Fiscal year</i></th><th><i>Millions</i></th></tr><tr><td>1979</td><td>\$84</td></tr><tr><td>1980</td><td>259</td></tr><tr><td>1981</td><td>292</td></tr><tr><td>1982</td><td>318</td></tr><tr><td>1983</td><td>340</td></tr></table> <p>No provision. (However, the Committee on Ways and Means has ordered reported H.R. 12846, which includes provisions similar to the Senate amendment.)</p>	<i>Fiscal year</i>	<i>Millions</i>	1979	\$84	1980	259	1981	292	1982	318	1983	340	<p>Same as the House bill, except that the costs must be incurred at least 20 years after the last qualifying rehabilitation was completed.</p> <p>Effective date.—Effective for taxable years ending after September 1, 1979, with respect to qualifying expenditures incurred after that date. The historic structure provision applies to property placed in service after September 1, 1979.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><th><i>Fiscal year</i></th><th><i>Millions</i></th></tr><tr><td>1979</td><td>9</td></tr><tr><td>1980</td><td>52</td></tr><tr><td>1981</td><td>190</td></tr><tr><td>1982</td><td>215</td></tr><tr><td>1983</td><td>234</td></tr></table> <p>Specially designed structures or enclosures will qualify for the credit if used solely for the production of poultry, eggs, livestock or plants.</p>	<i>Fiscal year</i>	<i>Millions</i>	1979	9	1980	52	1981	190	1982	215	1983	234	
<i>Fiscal year</i>	<i>Millions</i>																											
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1983	234																											
39. Investment credit for single purpose agricultural structures (section 314 of Senate amendment)	<p>Buildings and their structural components are not eligible for the investment credit. In addition, certain tangible property (which may be categorized as buildings under local law) is eligible if used for certain purposes, including farming. The Internal Revenue Service has disallowed the credit for certain greenhouse structures. Generally, the tests applied by the Service are whether the structure is so integrally related to the equipment that it will be abandoned or destroyed when the equipment is worn out and whether the structure provides regular working space for employees. Taxpayers have successfully litigated this issue in several cases.</p>																											

Item	Present Law	House Bill	Senate Amendment	Conference Action																								
40. Investment credit for cooperatives (section 315 of Senate amendment)	Cooperatives are generally taxed like corporations, but are allowed to deduct certain payments made to patrons and shareholders. The amount of investment credit available for cooperatives is reduced proportionate to the reduction in taxable income because of these special deductions.	No provision.	<p>Effective date.—Taxable years which end on or after August 15, 1971 (the effective date for reinstatement of the investment tax credit under the Revenue Act of 1971).</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><th><i>Fiscal year</i></th><th><i>Millions</i></th></tr><tr><td>1979</td><td>*\$53</td></tr><tr><td>1980</td><td>33</td></tr><tr><td>1981</td><td>22</td></tr><tr><td>1982</td><td>24</td></tr><tr><td>1983</td><td>26</td></tr></table> <p>*Includes liabilities for prior years.</p> <p>Allows taxable cooperatives the full investment credit. In addition, cooperatives are allowed an irrevocable annual election to apportion all or part of the credit they have earned each taxable year to their patrons proportionate to patronage business done with the patron during the year.</p> <p>Effective date.—Taxable years ending after December 31, 1978.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><th><i>Fiscal year</i></th><th><i>Millions</i></th></tr><tr><td>1979</td><td>*\$46</td></tr><tr><td>1980</td><td>33</td></tr><tr><td>1981</td><td>35</td></tr><tr><td>1982</td><td>37</td></tr><tr><td>1983</td><td>39</td></tr></table> <p>*Includes liabilities for prior years.</p>	<i>Fiscal year</i>	<i>Millions</i>	1979	*\$53	1980	33	1981	22	1982	24	1983	26	<i>Fiscal year</i>	<i>Millions</i>	1979	*\$46	1980	33	1981	35	1982	37	1983	39	
<i>Fiscal year</i>	<i>Millions</i>																											
1979	*\$53																											
1980	33																											
1981	22																											
1982	24																											
1983	26																											
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1979	*\$46																											
1980	33																											
1981	35																											
1982	37																											
1983	39																											
41. Investment credit for working and breeding horses (section 316 of Senate amendments).	Livestock other than horses are eligible for the investment credit under present law.	No provision.	<p>Extends the investment credit to horses used for working or breeding purposes. Horses used for sporting purposes (such as race or show horses) would not be eligible for the credit.</p> <p>Effective date.—Taxable years ending after December 31, 1978, for horses placed in service after that date.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><th><i>Fiscal year</i></th><th><i>Millions</i></th></tr><tr><td>1979</td><td>\$6</td></tr><tr><td>1980</td><td>16</td></tr><tr><td>1981</td><td>17</td></tr><tr><td>1982</td><td>19</td></tr><tr><td>1983</td><td>21</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1979	\$6	1980	16	1981	17	1982	19	1983	21													
<i>Fiscal year</i>	<i>Millions</i>																											
1979	\$6																											
1980	16																											
1981	17																											
1982	19																											
1983	21																											

Item	Present Law	House Bill	Senate Amendment	Conference Action												
42. Additional carryover year for expiring investment tax credits (section 317 of Senate amendment)	Investment credits which are earned in the current year, but which are not used because of the tax liability limitation, may be carried back for three taxable years and carried forward for seven taxable years. A 10-year carry-forward period is allowed for pre-1971 credits.	No provision.	One additional carryforward year is allowed for investment credits which could be carried to a taxable year ending in 1977, but expire unused after that taxable year. Effective date. —Effective on date of enactment. Revenue effect. —Reduces budget receipts by less than \$500,000 annually.													
43. Investment credit limitation for manufacturer-lessors of railroad property (section 318 of Senate amendment)	Taxpayers who operate railroads and whose qualified investment during a taxable year is comprised of at least 25 percent railroad property are allowed temporary increased tax liability limitations for purposes of using the investment credit, under which, for example, the credit may be applied against 100 percent of tax liability for tax years ending in 1978. Lessors of railroad property are not eligible for these increased limitations.	No provision.	Allows the increased tax liability limitation to manufacturers of railroad rolling stock who lease their rolling stock to railroads and other users. Effective date. —Taxable years ending after March 31, 1976. Revenue effect. —Budget receipts effects as follows: <table><tr><th><i>Fiscal year</i></th><th><i>Millions</i></th></tr><tr><td>1979</td><td>----- \$-4</td></tr><tr><td>1980</td><td>----- -5</td></tr><tr><td>1981</td><td>----- less than 1</td></tr><tr><td>1982</td><td>----- +2</td></tr><tr><td>1983</td><td>----- +2</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1979	----- \$-4	1980	----- -5	1981	----- less than 1	1982	----- +2	1983	----- +2	
<i>Fiscal year</i>	<i>Millions</i>															
1979	----- \$-4															
1980	----- -5															
1981	----- less than 1															
1982	----- +2															
1983	----- +2															
44. Investment credit recapture under ConRail reorganization (section 319 of Senate amendment)	Investment credit recapture generally does not apply where assets are transferred in a tax-free reorganization. However, this general rule does not extend to the transfers of assets by the bankrupt railroads to ConRail Corporation in this special railroad reorganization.	No provision. (However, the House passed a bill, H.R. 10653 containing an identical provision on October 3, 1978.)	Provides an exception to the investment credit recapture rules for transfer of properties to ConRail in the April 1, 1976, ConRail reorganization. Effective date. —Taxable years ending after March 31, 1976. Revenue effect. —Reduces budget receipts by less than \$5 million in fiscal year 1979.													

Item	Present Law	House Bill	Senate Amendment	Conference Action
45. Targeted jobs credit (section 315 of House bill and section 321 of the Senate amendment)	<p>Present law contains a general jobs credit equal to 50 percent of the increase in each employer's FUTA base above 102 percent of that wage base in the previous year. This amount is subject to certain limitations.</p> <p>This provision also contains an additional credit equal to 10 percent of the first \$4,200 of FUTA wages paid to handicapped individuals who receive vocational rehabilitation.</p> <p>The provision expires at the end of 1978.</p>	<p>The present law general jobs credit is replaced with a targeted jobs credit, equal to 50 percent of the first \$6,000 of wages for the first year of employment and 16 2/3 percent of such wages for the second year of employment, for hiring:</p> <p>(1) AFDC recipients who register for the WIN program.</p> <p>(2) recipients of Supplemental Security Income (SSI).</p> <p>(3) handicapped individuals undergoing vocational rehabilitation.</p> <p>(4) individuals at least age 18 (or if a high school graduate, at least age 16) but not over age 25, who are members of a household receiving food stamps.</p> <p>(5) Vietnam-era veterans who are members of households receiving food stamps.</p> <p>(6) recipients of general assistance for 30 or more days.</p> <p>(7) individuals of ages 16 through 18 who are participants in a qualified cooperative education program.</p> <p>No provision.</p>	<p>Same as House bill, except rates are 33 1/3 percent for the second year of employment and 25 percent for the third year of employment.</p> <p>(1) No provision.</p> <p>(2) Same as House bill, except limited to disabled recipients.</p> <p>(3) Same as House bill.</p> <p>(4) Individuals at least age 18 but not over age 25, who are members of economically disadvantaged families (defined as families with income during the preceding 6 months which on an annual basis was less than 70 percent of the Bureau of Labor Statistics lower living standard). Under a floor amendment by Senator Javits (adopted by voice vote), the targeted jobs credit would be available with respect to individuals, ages 16 or 17 who have graduated from high school or vocational school, or who have not been enrolled in such a school within the four month period which precedes the hiring date.</p> <p>(5) Vietnam-era veterans under the age of 35 who are members of economically disadvantaged families.</p> <p>(6) Same as House bill.</p> <p>(7) No provision.</p> <p>(8) Convicts who are members of economically disadvantaged families.</p> <p>Credit could not be claimed for employees for whom employers receive on-the-job training payments.</p>	<p><i>Am</i></p> <p><i>Amended</i></p> <p><i>50% credit</i></p> <p><i>25% credit</i></p>



Item	Present Law	House Bill	Senate Amendment	Conference Action																								
46. WIN-Welfare recipient tax (section 314 of the House bill and section 322 of the Senate amendment)	Present law provides a 20-percent credit, plus full deduction, for wages paid in the first year of employment to AFDC recipients who receive assistance for at least 90 days or who register for the WIN program. The amount of credit is limited to \$50,000 of tax liability plus one-half of tax liability in excess of \$50,000. Generally, up to \$5,000 of wages paid for nonbusiness employment are eligible for the credit.	<p>No provision.</p> <p>Certification of eligible employees would be performed by an agency designated by the Secretary of Labor.</p> <p>Qualified wages of first-year employees limited to 30 percent of aggregate FUTA wages for all employees.</p> <p>The deduction for wages is reduced by the amount of the credit.</p> <p>Credit limited to 100 percent of tax liability.</p> <p>Secretaries of Treasury and Labor are to submit a report by June 30, 1981, on the effectiveness of the general and targeted jobs credit.</p> <p>Effective date.—Taxable years beginning after December 31, 1978, generally for employees hired after July 26, 1978.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><th><i>Fiscal year</i></th><th><i>Millions</i></th></tr><tr><td>1979</td><td>\$189</td></tr><tr><td>1980</td><td>602</td></tr><tr><td>1981</td><td>745</td></tr><tr><td>1982</td><td>824</td></tr><tr><td>1983</td><td>875</td></tr></table> <p>The WIN-welfare recipient tax credit is terminated, and AFDC recipients who register for the WIN program are an eligible group under the targeted jobs credit (Item 45, above), equal to 50 percent of the first \$6,000 of wages for the first year of employment and 16⅔ percent of such wages for the second year of employment. The deduction for wages is reduced by the amount of the credit.</p>	<i>Fiscal year</i>	<i>Millions</i>	1979	\$189	1980	602	1981	745	1982	824	1983	875	<p>Credit could not be claimed for employees who work for the employer less than 75 days in the first year of employment.</p> <p>Same as House bill, except Secretaries of Labor and Treasury would jointly designate one certification agency in each locality.</p> <p>Same as House bill, except limit is 20 percent of aggregate FUTA wages.</p> <p>Same as House bill.</p> <p>Credit limited to 90 percent of tax liability.</p> <p>No provision.</p> <p>Effective date.—Taxable years beginning after December 31, 1978, and before January 1, 1982, generally for employees hired after September 26, 1978.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><th><i>Fiscal year</i></th><th><i>Millions</i></th></tr><tr><td>1979</td><td>\$129</td></tr><tr><td>1980</td><td>455</td></tr><tr><td>1981</td><td>601</td></tr><tr><td>1982</td><td>560</td></tr><tr><td>1983</td><td>85</td></tr></table> <p>The WIN-welfare recipient tax credit is amended so that employers who hire AFDC recipients who register for the WIN program or who receive assistance for at least 90 days, receive a credit equal to 75 percent of up to \$6,000 of wages for the first year of employment, 65 percent of such wages for the second year of employment, and 55 percent of such wages for the third year of employment. The deduction for wages is reduced by the amount of the credit.</p>	<i>Fiscal year</i>	<i>Millions</i>	1979	\$129	1980	455	1981	601	1982	560	1983	85	
	<i>Fiscal year</i>	<i>Millions</i>																										
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Item	Present Law	House Bill	Senate Amendment	Conference Action												
		<p><i>Increase in wage base.</i>—No provision.</p> <p>Credit is provided only for employment in a trade or business.</p> <p>No provision.</p> <p>No provision.</p> <p>Qualified wages of first-year employees limited to 30 percent of aggregate FUTA wages for all employees.</p> <p>No provision.</p> <p>No provision.</p> <p>Credit is nonrefundable—i.e., limited to 100 percent of tax liability.</p> <p><i>Effective date.</i>—Taxable years beginning after December 31, 1978, generally for employees hired after July 26, 1978.</p> <p><i>Revenue effect.</i>—Amount included in targeted jobs credit, above.</p>	<p><i>Increase in wage base.</i>—The \$6,000 base is increased to \$7,000 for years of employment beginning in 1981 and thereafter.</p> <p>For employment not in a trade or business, the credit is 50 percent of the first \$6,000 of wages for the first year of employment (\$7,000 for years of employment beginning in 1981 and thereafter). Eligible nonbusiness wages are limited to \$12,000 for any employer (\$14,000 for 1981 and thereafter).</p> <p>Credit is not allowed for expenses reimbursed by a grant.</p> <p>Credit is not allowed for employees who work for the employer less than 30 days on a substantially fulltime basis.</p> <p>Credit is not allowed for employees who displace other employees from employment.</p> <p>Credit not allowed for migrant workers.</p> <p>Credit not allowed for an employee who is a close relative, dependent, or major stockholder of the employer.</p> <p>Same as the House bill.</p> <p><i>Effective date.</i>—Taxable years beginning after December 31, 1978.</p> <p><i>Revenue effect.</i>—Reduces budget receipts by:</p> <table><tr><th><i>Fiscal year</i></th><th><i>Millions</i></th></tr><tr><td>1979</td><td>\$58</td></tr><tr><td>1980</td><td>223</td></tr><tr><td>1981</td><td>314</td></tr><tr><td>1982</td><td>370</td></tr><tr><td>1983</td><td>422</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1979	\$58	1980	223	1981	314	1982	370	1983	422	
<i>Fiscal year</i>	<i>Millions</i>															
1979	\$58															
1980	223															
1981	314															
1982	370															
1983	422															

Item	Present Law	House Bill	Senate Amendment	Conference Action								
47. Extension of general jobs credit (section 323 of Senate amendment) (Floor amendment by Senator Haskell, adopted by a vote of 51 to 42.)	<p>The general jobs credit is 50 percent of the increase in each employer's wage base under the Federal Unemployment Tax Act (FUTA) above 102 percent of that wage base in the previous year. The FUTA base for 1977 consisted of wages paid of up to \$4,200 per employee. The credit for 1978 uses a similar base. The employer's deduction for wages is reduced by the amount of the credit.</p> <p>The total amount of the credit has four limitations: (1) the credit cannot be more than 50 percent of the increase in total wages paid by the employer for the year above 105 percent of total wages paid by the employer in the previous year, (2) the base of credit must be no more than 50 percent of the current year's FUTA wages, (3) the credit for a year cannot exceed \$100,000, and (4) the credit cannot exceed the taxpayer's tax liability. Credits which exceed tax liability for a year may be carried back for 3 years and carried forward for 7 years. Credit is not allowed with respect to employment outside the United States.</p> <p>The provisions also contains an additional credit equal to 10 percent of the first \$4,200 of FUTA wages paid to handicapped individuals who receive vocational rehabilitation.</p> <p>The credit expires at the end of 1978.</p>	<p>No provision.</p>	<p>The amendment would extend the general jobs credit for two years and would make several changes. The rate would be 35 percent, and up to \$6,000 of wages per employee would be included in the base. The credit would not be limited to a percentage of the increase in total wages over total wages in the previous year. The credit would be reduced by the amount of targeted jobs credit allowed.</p> <p>The credit would be made elective and would be made applicable to employment on American vessels.</p> <p>Effective date.—The amendment is effective for taxable years beginning after December 31, 1978, and before January 1, 1981, except that the technical changes would be effective for taxable years beginning after December 31, 1976.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><td><i>Fiscal year</i></td><td><i>Millions</i></td></tr><tr><td>1979 -----</td><td>\$360</td></tr><tr><td>1980 -----</td><td>1,350</td></tr><tr><td>1981 -----</td><td>990</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1979 -----	\$360	1980 -----	1,350	1981 -----	990	<p><i>Cost</i></p>
<i>Fiscal year</i>	<i>Millions</i>											
1979 -----	\$360											
1980 -----	1,350											
1981 -----	990											

D. Industrial Development Bond Provisions

Item	Present Law	House Bill	Senate Amendment	Conference Action												
48. Small issues exception to industrial development bond tax treatment (section 321 of the House bill and section 331 of the Senate amendment)	<p><i>In general.</i>—Interest on State and local government obligations is tax-exempt. However, interest on industrial development bonds is taxable, with certain exceptions. One of the exceptions which qualifies for tax-exemption is “small issues”.</p> <p><i>Regular small issues.</i>—Small issues are issues in amounts of \$1 million or less, used to provide land or depreciable property.</p> <p><i>Elective small issues.</i>—At the election of the issuer, the \$1 million limitation can be increased to \$5 million if certain capital expenditure restrictions are met.</p>	<p><i>Regular small issues.</i>—No provision.</p> <p><i>Elective small issues.</i>—Increases the amount of the limitation with respect to the “small issue” election from \$5 million to \$10 million.</p> <p><i>Effective date.</i>—Effective for bonds issued after December 31, 1978, in taxable years ending after that date.</p>	<p><i>Regular small issues.</i>—Increases the amount of the limitation with respect to the “small issue” election from \$5 million to \$12 million.</p> <p><i>Elective small issues.</i>—Increases the amount of the limitation with respect to regular “small issues” from \$1 million to \$2 million.</p> <p><i>Effective date.</i>—Effective for bonds issued after December 31, 1978, in taxable years ending after that date. The higher limitation is to apply to capital expenditures made after December 31, 1978, with respect to bonds that were issued prior to December 31, 1978, to which the old \$5 million election was made. With respect to bonds issued after December 31, 1978, the new \$12 million limitation is to apply by taking bonds issued prior to December 31, 1978, into account in determining the amount of bonds that can be issued after December 31, 1978.</p> <p><i>Revenue effect.</i>—Reduces budget receipts by:</p> <table><tr><th>Fiscal year</th><th>Millions</th></tr><tr><td>1979</td><td>less than \$1</td></tr><tr><td>1980</td><td>4</td></tr><tr><td>1981</td><td>17</td></tr><tr><td>1982</td><td>29</td></tr><tr><td>1983</td><td>39</td></tr></table>	Fiscal year	Millions	1979	less than \$1	1980	4	1981	17	1982	29	1983	39	10.000
	Fiscal year	Millions														
1979	less than \$1															
1980	4															
1981	17															
1982	29															
1983	39															

Item	Present Law	House Bill	Senate Amendment	Conference Action
49. Advance refunding of industrial development bonds for certain public projects (section 332 of the Senate amendment)	<p>Certain industrial development bonds (IDBs) which are used to provide "exempt activities" facilities are accorded tax-exempt status.</p> <p>Under 1972 Treasury regulations, refunding issues of tax-exempt "exempt activities" IDBs were also tax-exempt.</p> <p>However, under proposed regulations issued on December 6, 1977, refunding issues for such IDB's that are issued more than 180 days before the original issue is redeemed do not qualify as tax-exempt bonds.</p>	No provision.	<p>Specifically allows advance refunding (i.e., refunding more than 180 days prior to the redemption date of the original issue) for certain types of tax-exempt "exempt activities."</p> <p>Effective date.—Applies to refunding bonds issued after the date of enactment.</p> <p>Revenue effect.—Reduces budget receipts by less than \$5 million annually.</p>	
50. Advance refunding of certain other industrial development bonds (section 333 of the Senate amendment)	<p><i>In general.</i>—Prior to 1968, interest on industrial development bonds (IDBs) was tax-exempt. In 1968, interest of certain IDB's was made taxable. However, a transitional rule provided that interest on IDBs issued prior to May 1, 1968 was to remain exempt.</p> <p><i>Post-1968 IDBs.</i>—The proposed regulations issued on December 6, 1977 also prohibit tax-exempt refunding of post-1968 IDB's if the refunding occurs more than 180 days prior to the redemption date of the original bonds.</p> <p><i>Pre-1968 IDBs.</i>—Under 1972 Treasury regulations, all refunding issues of tax-exempt IDBs were also tax-exempt. However, the proposed regulations prohibit tax-exempt refunding of pre-1968 IDBs if the refunding occurred after December 1, 1977, and extends the maturity date of the original bonds.</p>	<p>No provision.</p> <p>No provision.</p>	<p><i>Post-1968 IDBs.</i>—The provision allows tax exempt treatment for refundings which comply with IRS regulations which are in effect at the time of the refunding.</p> <p><i>Pre-1968 IDBs.</i>—The provision allows tax exempt treatment for bonds under transitional rules for the refunding of certain pre-1968 IDBs.</p> <p>Effective date.—Applies to any refunding obligation issued to refund any obligation with respect to which paragraph (4), (5), or (6) of section 103 (b) of the Code applies.</p>	


Item	Present Law	House Bill	Senate Amendment	Conference Action																									
51. Income tax exemption for bonds for water facilities (section 334 of the Senate amendment)	Industrial development bonds (IDBs) used to provide facilities for the furnishing of water are tax-exempt if the water is available on reasonable demand to members of the general public.	No provision.	<p><i>In general.</i>—Provides tax exemption for IDBs to provide certain facilities for the furnishing of water if:</p> <p>(1) The water is furnished to the general public, which includes industrial, agricultural, commercial and electric utility users,</p> <p>(2) The facility is operated by a government unit, and</p> <p>(3) The facility is a facility for the furnishing of water.</p> <p>Effective date.—Applies to obligations issued after the date of enactment.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><th><i>Fiscal year</i></th><th><i>Million less than \$1</i></th></tr><tr><td>1979</td><td>6</td></tr><tr><td>1980</td><td>26</td></tr><tr><td>1981</td><td>49</td></tr><tr><td>1982</td><td>65</td></tr><tr><td>1983</td><td></td></tr></table>	<i>Fiscal year</i>	<i>Million less than \$1</i>	1979	6	1980	26	1981	49	1982	65	1983		<p><i>In general.</i>—Provides tax exemption for IDBs to provide certain facilities for the furnishing of water if:</p> <p>(1) The water is furnished to the general public, which includes industrial, agricultural, commercial and electric utility users,</p> <p>(2) The facility is operated by a government unit, and</p> <p>(3) The facility is a facility for the furnishing of water.</p> <p>Effective date.—Applies to obligations issued after the date of enactment.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><th><i>Fiscal year</i></th><th><i>Million less than \$1</i></th></tr><tr><td>1979</td><td>6</td></tr><tr><td>1980</td><td>26</td></tr><tr><td>1981</td><td>49</td></tr><tr><td>1982</td><td>65</td></tr><tr><td>1983</td><td></td></tr></table>	<i>Fiscal year</i>	<i>Million less than \$1</i>	1979	6	1980	26	1981	49	1982	65	1983		do - local furnishing within city and contiguous county
<i>Fiscal year</i>	<i>Million less than \$1</i>																												
1979	6																												
1980	26																												
1981	49																												
1982	65																												
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<i>Fiscal year</i>	<i>Million less than \$1</i>																												
1979	6																												
1980	26																												
1981	49																												
1982	65																												
1983																													
52. Income tax exemption for bonds for facilities for furnishing electric energy (section 338 of the Senate bill)	Industrial development bonds (IDBs) used to provide facilities for the local furnishing of electric energy are tax-exempt. The Treasury has interpreted "local furnishing" to mean an area comprised of no more than 2 contiguous counties.	No provision.	<p>Provides that certain bonds used to provide facilities for furnishing of electric energy are tax-exempt if the energy is sold to a public utility which services an area no greater than one city and one contiguous county.</p> <p>The provision would apply only to bonds issued by the Power Authority of the State of New York for facilities authorized prior to October 1, 1977.</p> <p>Effective date.—Generally, the provision applies to construction authorized before October 1, 1977.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><th><i>Fiscal year</i></th><th><i>Millions less than \$1</i></th></tr><tr><td>1979</td><td>3</td></tr><tr><td>1980</td><td>10</td></tr><tr><td>1981</td><td>18</td></tr><tr><td>1982</td><td>23</td></tr><tr><td>1983</td><td></td></tr></table>	<i>Fiscal year</i>	<i>Millions less than \$1</i>	1979	3	1980	10	1981	18	1982	23	1983															
<i>Fiscal year</i>	<i>Millions less than \$1</i>																												
1979	3																												
1980	10																												
1981	18																												
1982	23																												
1983																													
(Floor amendment by Senator Moynihan, adopted by voice vote.)																													

(Floor amendment by Senator Moynihan, adopted by voice vote.)

E. Other Tax-Exempt Bond Provisions


Item	Present Law	House Bill	Senate Amendment	Conference Action
53. Declaratory judgment relating to the status of State and local government obligations (section 337 of the Senate amendment)	Interest on State and local obligations is tax-exempt. However, tax-exempt status is denied to arbitrage bonds and certain industrial development bonds. No procedure exists for State and local governments to obtain a judicial determination of the tax-exempt status of their bonds or to test the validity of IRS regulations or rulings dealing with tax-exempt bonds prior to their issuance.	No provision.	<p>Authorizes the Tax Court, Court of claims and U.S. district courts to issue declaratory judgments with respect to the tax-exempt status of proposed bond issues.</p> <p>The provision is available only to the proposed bond issuer and only if: (1) the proposed issuer has requested a private letter ruling from the IRS, (2) the IRS has acted adversely on the request or has failed to act within 60 days, and (3) the proposed issuer has otherwise exhausted all administrative remedies.</p> <p>Effective date.—Applies to requests for determinations filed with the Internal Revenue Service after December 31, 1978.</p> <p>Revenue effect.—This provision is not expected to have any revenue effect.</p>	4-180 1-16 206-1000
54. Treatment of certain arbitrage profits from advance refunding of State and local government obligations (section 338 of the Senate amendment)	<p>Arbitrage bonds issued by State and local governments are denied tax-exempt status. (An arbitrage is a bond the proceeds of which are invested in Treasury obligations or bonds which provide a materially higher rate of return than the State or local government bond.)</p> <p>Prior to 1976, some State and local governments were able to divert arbitrage profits to certain third parties including charities. In 1976, the IRS prohibited the diversion of arbitrage profits to third parties.</p>	No provision.	<p>The provision provides certain transitional rules which would allow certain State and local governments to channel these profits to charity.</p> <p>Effective date.—Effective on the date of enactment of the bill.</p> <p>Revenue effect.—This provision will not have any revenue effect.</p>	4-180 1-16 206-1000

Item	Present Law	House Bill	Senate Amendment	Conference Action
55. Subchapter S Corporations allowed 15 shareholders (section 331 of the House bill and section 341 of the Senate amendment)	Under present law, a subchapter S corporation may have 10 shareholders, and after 5 years the number of shareholders may be increased by inheritance to 15.	The bill would allow subchapter S corporations to have 15 shareholders initially. Effective date. —This provision is effective for taxable years beginning after December 31, 1978. Revenue effect. —The revenue effect will be negligible.	Same as House bill. Same as House bill. Same as House bill.	h
56. Permitted shareholders of Subchapter S Corporations (section 332 of the House bill and section 342 of the Senate amendment)	Under present law, a husband and wife owning stock jointly are counted as one shareholder for purposes of determining the number of shareholders of the corporation for purposes of subchapter S eligibility.	Counts a husband and wife (and their estates) as one shareholder in all situations for purposes of determining the number of shareholders. Effective date. —Taxable years beginning after December 31, 1978. Revenue effect. —The effect will be negligible.	Same as House bill. Same as House bill.	
57. Time for making a subchapter S election (section 333 of the House bill and section 344 of the Senate amendment)	Under present law a subchapter S election may be made at any time during a 2-month period beginning one month before the start of the taxable year.	The period for making an election would be extended to the entire previous taxable year and the first 75 days of the current taxable year. Effective date. —Taxable years beginning after December 31, 1978. Revenue effect. —The revenue effect will be negligible.	Same as House bill. Same as House bill. Same as House bill.	
58. "Simple" trusts permitted as subchapter S shareholders (section 343 of the Senate amendment)	Under present law, a trust (with limited exceptions) may not be a shareholder in a subchapter S corporation.	No provision.	Allows domestic trusts required to dis-tribute currently all their income (in-cluding all income passed through from the subchapter S corporation) to be as a shareholder in a subchapter S corporation. Effective date. —Taxable years begin-ning after December 31, 1978. Revenue effect. —The revenue effect will be negligible.	h

Item	Present Law	House Bill	Senate Amendment	Conference Action
59. Small business corporation stock (section 335 of the House bill and section 346 of the Senate amendment)	<p>Ordinary loss, rather than capital loss, treatment is provided in certain cases for small business corporation stock (section 1244 stock) which is disposed of at a loss by individual shareholders to whom the stock was issued.</p> <p>The maximum amount of ordinary loss from the disposition of section 1244 stock that may be claimed in any taxable year is \$25,000 (\$50,000 in the case of a joint return). Excess losses are treated as capital losses.</p> <p>In addition to certain other requirements, the following requirements must be met for stock to qualify as section 1244 stock:</p> <p>(1) The corporation issuing the stock must adopt a written plan under which the stock will be issued.</p> <p>(2) The amount of section 1244 stock issued by the corporation may not exceed \$500,000, and the total stock issued plus the equity capital of the corporation may not exceed \$1,000,000.</p> <p>(3) No prior offering of stock of the corporation or any portion of a prior offering of stock may be unissued.</p>	<p>Increases the maximum amount an individual may treat as an ordinary loss on section 1244 stock for any taxable year from \$25,000 to \$50,000 (\$100,000 in the case of a joint return).</p> <p>Repeals the written plan requirement.</p> <p>Increases the amount of section 1244 stock that a qualified small business corporation may issue from \$500,000 to \$1,000,000, and repeals the equity capital limitation.</p> <p>Repeals the prior stock offering limitation.</p> <p><i>Effective date.</i>—Applies to common stock issued after the date of enactment of this Act.</p> <p><i>Revenue effect.</i>—Reduces budget receipts by less than \$5 million annually.</p>	<p>Same as the House bill.</p> <p>Same as the House bill.</p> <p>Same as the House bill.</p> <p>Same as the House bill.</p> <p><i>Effective date.</i>—Same as the House bill.</p> <p><i>Revenue effect.</i>—Same as the House bill.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
60. Accrual accounting for farming corporations (section 341 of the House bill and section 351 of the Senate amendment)	<p>With certain exceptions, the Tax Reform Act of 1976 required corporations (and partnerships in which nonexempt corporations are partners) engaged in farming to use an accrual method of accounting and to capitalize preproductive period expenses. However, subchapter S corporations, family corporations (in which one family owns at least 50 percent of the stock), corporations with annual gross receipts of \$1 million or less, and nurseries are not required to use the accrual method of accounting or to capitalize preproductive period expenses.</p> <p>The 1976 Act provisions generally are effective for taxable years beginning after December 31, 1976. However, the Tax Reduction and Simplification Act of 1977 postponed the effective date of the required accrual accounting provision until taxable years beginning after December 31, 1977, for any farm corporation if, as of October 4, 1976 (the date of enactment of the 1976 Act), either (a) two families owned at least 65 percent of the stock; or (b) three families owned at least 50 percent of the stock and substantially all of the rest of the stock was owned by employees, their families, or exempt pension, etc., trusts for the benefit of the corporate employees.</p>	<p><i>Multi-family corporations.</i>—Provides exceptions to the required accrual accounting and capitalization of preproductive period expenses rules for certain corporations which are controlled by two or three families. The provisions requiring accrual accounting and the capitalization of preproductive period expenses will not apply to any farm corporation if, as of October 4, 1976, and at all times thereafter, either (1) two families own (directly or through attribution) at least 65 percent of the total combined voting power of all classes of stock of the corporation entitled to vote and at least 65 percent of the total number of shares of all other classes of stock of the corporation, or (2) (a) members of three families own (directly or through attribution) at least 50 percent of the total combined voting power of all classes of stock entitled to vote and at least 50 percent of the total number of shares of all other classes of stock and (b) substantially all of the remaining stock is owned by corporate employees, their family members or a tax-exempt employees' trust for the benefit of the corporation's employees.</p>	<p><i>Multi-family corporations.</i>—Same as the House bill.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
		<p>Also provides that, with respect to corporations described in the preceding paragraph, stock acquired after October 4, 1976, by the corporation's employees, their families, or a tax-exempt trust for their benefit will be treated as owned by one of the two or three families whose combined stock ownership was used to establish the initial qualification for this provision (as of October 4, 1976). The provision requires that corporations must have been engaged in the trade or business of farming on October 4, 1976, and at all times thereafter, to qualify for this exception.</p> <p>No provision.</p> <p>Effective date.—Applies to taxable years beginning after December 31, 1977.</p> <p>Revenue effect.—Reduces budget receipts by less than \$5 million per year.</p>	<p><i>Sod farms.</i>—The Senate bill excepted sod farms from the provisions requiring accrual accounting and capitalization of preproductive period expenses.</p> <p>Effective date.—Same as the House bill, except that the provision relating to sod farms applies to taxable years beginning after December 31, 1976.</p> <p>Revenue effect.—Same as the House bill.</p>	


Item	Present Law	House Bill	Senate Amendment	Conference Action
61. Accounting for costs of growing crops (section 342 of the House bill and section 352 of the Senate amendment)	<p>Prior to 1976, farmers, nurserymen, and florists were not required to inventory growing crops regardless of the method of accounting they used for income tax purposes. However, in 1976 the IRS ruled that an accrual method taxpayer engaged in farming is required to inventory growing crops. This ruling also provided that nurserymen using an accrual method of accounting must inventory growing trees and that florists using an accrual method of accounting must inventory growing plants. The changes made by this ruling are to be applied only to taxable years beginning on or after January 1, 1978.</p> <p>On July 18, 1978, the Service announced that farmers, nurserymen and florists who have been using an accrual method of accounting without inventorying growing crops and who relied on the Service's former position would be allowed to change their method of accounting to the cash receipts and disbursements method of accounting, which does not require the accumulation of costs in inventory.</p>	<p>Permits a farmer, nurseryman, or florist who is on an accrual method of accounting and is not required by section 447 of the Code to capitalize pre-productive period expenses to be exempt from the requirement of Revenue Rule 76-242 that growing crops be inventoried.</p> <p>This provision also allows those farmers, nurserymen, or florists who are eligible to use an accrual method of accounting without inventorying growing crops to elect, without the prior approval of the IRS, to change to the cash receipts and disbursements method of accounting with respect to any trade or business in which the principal activity is growing crops.</p>	Same as the House bill.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
	<p>With certain exceptions, the Tax Reform Act of 1976 required corporations and partnerships (in which nonexcepted corporations are partners) engaged in farming to use the accrual method of accounting and to capitalize preproductive period expenses. However, subchapter S corporations, family corporations (in which one family owns at least 50 percent of the stock), corporations with annual gross receipts of \$1 million or less, and nurseries are not required to use the accrual method of accounting or to capitalize preproductive period expenses. In general, the requirement that preproductive period expenses be capitalized would have the effect of requiring taxpayers to inventory (or capitalize) the costs of growing crops.</p>	<p>Effective date.—Generally applies to taxable years beginning after December 31, 1977. However, the rules permitting a taxpayer to change to the cash method of accounting apply only with respect to taxable years beginning after December 31, 1977, and before January 1, 1981.</p> <p>Revenue effect.—Reduces budget receipts by less than \$5 million per year.</p>	<p>Effective date.—Same as the House bill.</p> <p>Revenue effect.—Same as the House bill.</p>	



I. Depreciation Provisions

Item	Present Law	House Bill	Senate Amendment	Conference Action																										
62. Depreciation for small business (section 336 of the House bill and section 361 of the Senate amendment) (Floor amendment by Sen. Nelson, adopted by a 62-25 vote)	<p>Under present law, there are no special provisions exclusively applicable to the depreciation of assets by a small business. Thus, a small business may depreciate its assets over useful lives determined on a facts and circumstances basis or, if elected, under guidelines prescribed under the Asset Depreciation Range (ADR) system.</p> <p>Although not limited to small businesses, a deduction is allowed for additional first-year depreciation in an amount not exceeding 20 percent of the cost of eligible property. The cost of the property which may be taken into account may not exceed \$10,000 (\$20,000 for individuals who file a joint return). Thus, the maximum additional first-year depreciation deduction is limited to \$2,000 (\$4,000 for individuals filing a joint return).</p>	<p><i>Percentage increase.</i>—Increases the allowable additional first-year depreciation percentage from 20 to 25 percent.</p> <p><i>Dollar limitations.</i>—Increases the limitation on eligible property from \$10,000 to \$20,000 (\$20,000 to \$40,000 for individuals filing joint returns).</p> <p><i>Special business limitations.</i>—The additional first-year depreciation is limited to small businesses by providing that additional first-year depreciation is to be available only for taxpayers (including a controlled group of corporations) with depreciable assets whose adjusted basis as of the beginning of the taxable year is less than \$1 million.</p> <p>Effective date.—Applies to taxable years beginning after December 31, 1978.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><th>Fiscal year</th><th>Millions</th></tr><tr><td>1979</td><td>\$148</td></tr><tr><td>1980</td><td>357</td></tr><tr><td>1981</td><td>305</td></tr><tr><td>1982</td><td>263</td></tr><tr><td>1983</td><td>232</td></tr></table>	Fiscal year	Millions	1979	\$148	1980	357	1981	305	1982	263	1983	232	<p>The Senate amendment would permit a taxpayer to elect to depreciate up to \$25,000 in annual acquisitions of tangible personal property over a 3-year period under the straight-line method and to obtain the benefit of the full investment tax credit (based on the regular useful life of the property) with respect to property for which an election is made. Property which is depreciated under this provision is not eligible for additional first-year depreciation under section 179, but no other changes are made with respect to section 179.</p> <p>Effective date.—This provision applies to property acquired and placed in service in taxable years beginning after December 31, 1978.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><th>Fiscal year</th><th>Millions</th></tr><tr><td>1979</td><td>\$37</td></tr><tr><td>1980</td><td>421</td></tr><tr><td>1981</td><td>1,439</td></tr><tr><td>1982</td><td>2,374</td></tr><tr><td>1983</td><td>2,376</td></tr><tr><td>1984</td><td>-----</td></tr></table>	Fiscal year	Millions	1979	\$37	1980	421	1981	1,439	1982	2,374	1983	2,376	1984	-----	
Fiscal year	Millions																													
1979	\$148																													
1980	357																													
1981	305																													
1982	263																													
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1983	2,376																													
1984	-----																													



Item	Present Law	House Bill	Senate Amendment	Conference Action
63. Treasury study of tax treatment of certain Government-mandated equipment (section 362 of the Senate amendment)	<p>The Treasury Department generally is not required to submit reports to Congress on the tax treatment of agency-mandated equipment changes.</p>	<p>No provision.</p>	<p>The Treasury Department is required to conduct a study with respect to the tax treatment of expenditures incurred in compliance with Federal statutes or regulations, under the Occupational Safety and Health Act (OSHA) and the Mining Safety and Health Administration (MSHA) of the Department of Labor. The study is to include the feasibility of providing rapid 5-year amortization and special investment tax credit provisions.</p> <p>Effective date.—The report is to be submitted to Congress before April 1, 1979.</p> <p>Revenue effect.—No revenue effect.</p>	<p><i>for</i></p>

Item	Present Law	House Bill	Senate Amendment	Conference Action												
64. Extension of 5-year amortization for low-income rental housing (section 322 of the House bill and section 377 of the Senate amendment)	<p>Under the special depreciation rules for low-income rental property, taxpayers can elect to compute depreciation on certain rehabilitation expenditures under a straight-line method over a period of 60 months, if the additions or improvements have a useful life of 5 years or more. Under present law, only the aggregate rehabilitation expenditures for any housing which do not exceed \$20,000 per dwelling unit qualify for the 60-month depreciation. In addition, for the 60-month depreciation to be available, the sum of the rehabilitation expenditures for 2 consecutive taxable years—including the taxable year—must exceed \$3,000 per dwelling unit.</p> <p>These special rules are scheduled to expire on December 31, 1978.</p>	<p>Provides a 3-year extension of the special 5-year depreciation rule for expenditures to rehabilitate low-income rental housing. Under the bill, rehabilitation expenditures that are made pursuant to a binding contract entered into before January 1, 1982, would qualify for the 5-year depreciation rule even though the expenditures are actually made after December 31, 1981.</p> <p>Effective date.—The 3-year extension applies to expenditures paid or incurred with respect to low- and moderate-income rental housing after December 31, 1978, and before January 1, 1982 (including expenditures made pursuant to a binding contract entered into before January 1, 1982).</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><th><i>Fiscal year</i></th><th><i>Millions</i></th></tr><tr><td>1979</td><td>\$1</td></tr><tr><td>1980</td><td>4</td></tr><tr><td>1981</td><td>11</td></tr><tr><td>1982</td><td>19</td></tr><tr><td>1983</td><td>24</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1979	\$1	1980	4	1981	11	1982	19	1983	24	<p>Same as the House bill.</p> <p>Effective date.—Same as the House bill.</p> <p>Revenue effect.—Same as the House bill.</p>	
<i>Fiscal year</i>	<i>Millions</i>															
1979	\$1															
1980	4															
1981	11															
1982	19															
1983	24															

Item	Present Law	House Bill	Senate Amendment	Conference Action												
65. Entertainment facility expenses (section 371 of the Senate amendment)	Deductions are allowed for ordinary and necessary business expenses, and may include the cost of club dues or fees, and certain other expenditures relating to facilities. Entertainment facilities are any item of personal or real property owned, rented, or used in connection with any activity which generally is considered to constitute entertainment, amusement, or recreation. Examples of such facilities are yachts, hunting lodges, fishing camps, etc. Facility expenses may be deductible if they are ordinary and necessary, more than 50 percent of the facility's use is for business, and the expense is directly related to the active conduct of the taxpayer's business. Only the portion of the expenses which are substantiated and which meet these requirements are deductible. Various exceptions to the facility expense rules are provided in the statute.	No provision.	No business deduction is allowed for any entertainment facility expenses, including dues or fees paid to social, athletic, or sporting clubs. The provision does not apply to sports tickets, etc., which are deductible under present law as an entertainment "activity." Effective date. —Taxable years beginning after December 31, 1978. Revenue effect. —Increases budget receipts by: <table><tr><td><i>Fiscal year</i></td><td><i>Millions</i></td></tr><tr><td>1979</td><td>\$51</td></tr><tr><td>1980</td><td>116</td></tr><tr><td>1981</td><td>126</td></tr><tr><td>1982</td><td>138</td></tr><tr><td>1983</td><td>151</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1979	\$51	1980	116	1981	126	1982	138	1983	151	<i>Least costly choice.</i>
<i>Fiscal year</i>	<i>Millions</i>															
1979	\$51															
1980	116															
1981	126															
1982	138															
1983	151															
66. Deficiency dividend procedure for regulated investment companies (section 372 of the Senate amendment)	A regulated investment company (commonly referred to as a mutual fund) is allowed a deduction for distributions to its shareholders. In order to qualify as a regulated investment company, the corporation must, among other requirements, distribute at least 90 percent of its taxable income within the taxable year or, with certain limitations, the next taxable year.	No provision. (However, the House passed an identical provision in H.R. 6877, on October 3, 1978).	Provides a deficiency dividend procedure for regulated investment companies under which the corporation could make qualifying distributions after the normal period for making distributions when an adjustment by the Internal Revenue Service occurs that either increases the amount which the corporation is required to distribute to meet the distribution requirement or decreases the amount of the dividends previously distributed for that year. Effective date. —Effective with respect to determinations made after the date of enactment. Revenue effect. —Reduces budget receipts by about \$200,000 in fiscal year 1979 and by less than \$500,000 annually thereafter.	<i>4</i>												

Item	Present Law	House Bill	Senate Amendment	Conference Action												
67. Safe harbor rule for real estate investment trusts (section 373 of the Senate amendment)	<p>A 100 percent penalty tax is imposed on gain from the sale of property held by a REIT primarily for sale to customers in the ordinary course of the REIT's trade or business.</p> <p>Imposes regular corporate tax on income from foreclosure property held for 2 years with an additional 2 year extension by the IRS.</p>	<p>No provision.</p> <p>No provision.</p>	<p>Provides a safe harbor rule for income of a REIT which would exempt from the 100-percent penalty tax any gain from the sale of a real estate asset where (1) the property was held by the REIT for a minimum of 4 years, (2) the REIT made no more than 5 sales of property in the taxable year, (3) the REIT did not make improvements to the property during the 4-year period prior to sale in excess of 20 percent of the net selling price, and (4) the property was held for rent by the REIT for at least 4 years.</p> <p>Allows an additional 2 years (for a total of 4) that the IRS can grant extensions to hold foreclosure property.</p> <p>Effective date.—Safe harbor rule effective for taxable years ending after the date of enactment. Additional period effective for extension granted after date of enactment for periods beginning after December 31, 1977.</p> <p>Revenue effect.—This provision will not have any revenue effect.</p>													
68. Contributions in aid of construction (section 374 of the Senate amendment)	<p>Contributions in aid of construction (other than customer connection fees) to regulated public water and sewage utilities are treated as nontaxable contributions to capital. Treatment of contributions in aid of construction to other taxpayers is unclear under present law.</p>	<p>No provision. (However, the House passed an identical provision in H.R. 11741, on October 2, 1978.)</p>	<p>Contributions in aid of construction (other than customer connection fees) received by regulated public gas and electric utilities would be treated as nontaxable contributions to capital by nonshareholders.</p> <p>Effective date.—Applies to contributions made after January 31, 1976.</p> <p>Revenue effect.—Reduces budget receipts by:*</p> <table><tr><th><i>Fiscal year</i></th><th><i>Millions</i></th></tr><tr><td>1979</td><td>less than \$5</td></tr><tr><td>1980</td><td>50</td></tr><tr><td>1981</td><td>100</td></tr><tr><td>1982</td><td>100</td></tr><tr><td>1983</td><td>100</td></tr></table> <p>* The estimates were derived assuming that the position taken by the IRS is the correct one. The figures do not allow for revenue effects of additional charges the utilities may make in order to get reimbursement for the additional taxes payable under IRS ruling.</p>	<i>Fiscal year</i>	<i>Millions</i>	1979	less than \$5	1980	50	1981	100	1982	100	1983	100	
<i>Fiscal year</i>	<i>Millions</i>															
1979	less than \$5															
1980	50															
1981	100															
1982	100															
1983	100															

Item	Present Law	House Bill	Senate Amendment	Conference Action
69. Treatment of certain liabilities on incorporation of a trade or business (section 375 of the Senate amendment)	<p>No gain or loss generally is recognized on the incorporation of a business. However, where the sum of the liabilities transferred to the corporation exceeds the sum of the adjusted basis of the assets transferred to the corporation that excess is recognized as gain.</p> <p>In recent years considerable uncertainty has arisen over whether deductible accounts payable of a cash basis taxpayer should be treated as liabilities for this purpose.</p>	No provision.	<p>Certain deductible liabilities of a cash basis taxpayer (and certain liabilities of a partnership to a retiring partner) are excluded from the definition of the term liabilities for purposes of computing gain upon incorporation and for purposes of determining the transferor's basis in stock received in exchange for the transferred assets.</p> <p>Effective date.—Applies to transfers of property to corporations made on or after the date of enactment.</p> <p>Revenue effect.—Reduces budget receipts by less than \$5 million annually.</p>	h
70. Medical expenses reimbursement plans (section 376 of the Senate amendment)	Gross income does not include amounts received under a self-insured accident or health plan for employees as reimbursement for employee medical expenses, unless the expenses were deducted in a prior taxable year.	No provision.	<p>Self-insured medical reimbursement plans would be subject to rules for bidding discrimination in favor of employees who are officers, shareholders, or highly paid.</p> <p>Plan benefits would be required to extend to a nondiscriminatory group of employees. Benefits would also be subject to a nondiscrimination test.</p> <p>Amounts paid for a discriminatory benefit plan to an officer, etc., would be includible in income. Also, benefits paid to an officer, etc., under a plan which does not cover a nondiscriminatory group of employees would be partially includible in income.</p> <p>Effective date.—Taxable years beginning after December 31, 1979.</p> <p>Revenue effect.—Increases budget receipts by less than \$5 million annually beginning in 1980.</p>	h

Item	Present Law	House Bill	Senate Amendment	Conference Action
71. Postponement of effective date for special limitations on net loss carryovers (section 378 of the Senate amendment)	<p>The 1976 act extensively revised the Code provisions dealing with the carryover of net operating losses in cases of acquisitions of loss corporations. The limitations on loss carryover attributes apply to acquisitions made by purchase or through corporate reorganizations. The new provisions changed the basic concept underlying the rules by deleting continuity of business requirements for purchases and establishing a new continuity of ownership test applicable to both purchases and reorganizations.</p> <p>These new provisions apply to plans of reorganization adopted on or after January 1, 1978, and to sales or exchanges in taxable years beginning after June 30, 1978.</p>	<p>No provision. (H.R. 9251, as passed by the House and Senate, contains a provision for the suspension of the 1976 Act net operating loss rules.)</p>	<p>Delays effective date of the 1976 change until January 1, 1980 with respect to plans of reorganization adopted on or after that date, or until June 30, 1980 with respect to sales or exchanges occurring in taxable years beginning after that date.</p> <p>It also permits taxpayers to elect to have the 1976 changes apply to any acquisition or reorganization occurring before the close of the taxpayer's first taxable year beginning after June 30, 1978. This election applies only if the acquisition or reorganization occurs pursuant to a contract or option to acquire stock or assets entered into before September 30, 1978.</p> <p>Effective date.—Effective upon enactment.</p> <p>Revenue effect.—Reduces budget receipts by less than \$5 million annually.</p>	
72. Redemptions of U.S. Railway Association certificates of value (sec. 389 of the Senate amendment)	<p>Under present law, tax attributes (including net operating losses) of a predecessor corporation generally carry over to a successor corporation in a tax-free reorganization. Special net operating loss rules apply to railroads which transferred property under the ConRail reorganization (i.e., otherwise expired net operating losses are revived to the extent any income is eventually realized from certificates of value issued for the transferred property). Present law does not specifically deal with the effect of a tax-free reorganization on the special net operating loss rule for ConRail transferor corporations.</p>	<p>No provision. (On October 3, 1978, the House passed H.R. 10653, which contains a provision which is identical to the provision of the Senate amendment.)</p>	<p>The special treatment of net operating losses of transferor railroads and redemptions of certificates of value is not to be affected by a tax-free reorganization of a transferor railroad and another member of its affiliated group of corporations.</p> <p>Effective date.—Taxable years ending after March 31, 1976.</p> <p>Revenue effect.—The provision will have a negligible effect on budget receipts.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
<p>73. Source of income from rental of railroad rolling stock (section 381 of the Senate amendment)</p> <p>(Senate floor amendment by Senator Percy, adopted by voice vote.)</p>	<p>Under present law, a lessor of railroad rolling stock may lose foreign tax credits if the lease produces a tax loss for the year and the cars are used outside the United States, because the loss is treated as a foreign source loss in proportion to the time during the year that the car is used outside the United States. Some lessors have required railroads which lease the cars from them to agree to indemnify them for these adverse tax consequences. The potential liability under these indemnity agreements has deterred the railroads from allowing the lease-financed rolling stock to be used outside the United States and therefore has resulted in inefficient utilization and routing of the rolling stock.</p>	<p>No provision. (However, the House has passed a bill, H.R. 12352, which is substantially the same as the Senate amendment.)</p>	<p>The Senate amendment provides that the income or loss from the rental of rolling stock to railroads is to be U.S. source income or loss if the rolling stock is not used outside the United States except on a temporary basis not expected to exceed 90 days. This modification of the source rules for income and loss from the rental of rolling stock would prevent the potential loss of lessors' foreign tax credits.</p> <p>Effective date.—Effective with respect to rolling stock placed in service after the date of enactment. At the election of the lessor, the provision also applies to railroad rolling stock placed in service on or before the date of enactment.</p> <p>Revenue effect.—Not expected to result in any significant revenue loss.</p>	<p><i>h</i></p>



V. CAPITAL GAINS PROVISIONS

Item	Present Law	House Bill	Senate Amendment	Conference Action																														
74. Capital gains deduction for individuals (section 401 of the Senate amendment)	<p>A noncorporate taxpayer deducts from gross income 50 percent of the amount of any net capital gain for the taxable year, and the balance is included in income and taxed at the regular rates.</p>	<p>No provision.</p>	<p>Provides that a noncorporate taxpayer may deduct from gross income 70 percent of the amount of any net capital gain for the taxable year, and that the remaining 30 percent is includible in income and subject to the regular tax rates.</p> <p>Effective date.—Taxable transactions occurring, and installment payments received, after October 31, 1978.</p> <p>Revenue effect.—This provision is estimated to have the following revenue impact (millions):</p> <table><thead><tr><th>Fiscal year</th><th>Revenue reduction</th><th>Revenue (induced)</th><th>Net revenue gain</th><th>Net revenue loss</th></tr></thead><tbody><tr><td>1979</td><td>—</td><td>\$250</td><td>\$85</td><td>\$165</td></tr><tr><td>1980</td><td>—</td><td>3,394</td><td>1,092</td><td>2,302</td></tr><tr><td>1981</td><td>—</td><td>3,648</td><td>1,173</td><td>2,475</td></tr><tr><td>1982</td><td>—</td><td>3,922</td><td>1,261</td><td>2,661</td></tr><tr><td>1983</td><td>—</td><td>4,216</td><td>1,356</td><td>2,860</td></tr></tbody></table>	Fiscal year	Revenue reduction	Revenue (induced)	Net revenue gain	Net revenue loss	1979	—	\$250	\$85	\$165	1980	—	3,394	1,092	2,302	1981	—	3,648	1,173	2,475	1982	—	3,922	1,261	2,661	1983	—	4,216	1,356	2,860	60-7%
Fiscal year	Revenue reduction	Revenue (induced)	Net revenue gain	Net revenue loss																														
1979	—	\$250	\$85	\$165																														
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1981	—	3,648	1,173	2,475																														
1982	—	3,922	1,261	2,661																														
1983	—	4,216	1,356	2,860																														

Item	Present Law	House Bill	Senate Amendment	Conference Action																								
75. Alternative tax for capital gains of individuals (section 401 of the House bill and of the Senate amendment)	<p>A noncorporate taxpayer deducts from gross income 50 percent of the amount of any net capital gain for the taxable year, and the balance is includible in gross income and taxed at the regular rates. In lieu of taxing 50 percent of net capital gains at the regular rates, a partial alternative tax of 25 percent on the first \$50,000 of net capital gains applies if it results in lower tax rates than that produced by the regular method.</p>	<p>Repeals the alternative tax.</p> <p>Effective date.—Taxable years beginning after December 31, 1978.</p> <p>Revenue effect.—Increases budget receipts by:</p> <table><tr><th><i>Fiscal year</i></th><th><i>Millions</i></th></tr><tr><td>1979</td><td>Negligible</td></tr><tr><td>1980</td><td>\$133</td></tr><tr><td>1981</td><td>143</td></tr><tr><td>1982</td><td>154</td></tr><tr><td>1983</td><td>166</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1979	Negligible	1980	\$133	1981	143	1982	154	1983	166	<p>Same as the House bill.</p> <p>Effective date.—Taxable years beginning after December 31, 1978.</p> <p>Revenue effect.—Increases budget receipts by:</p> <table><tr><th><i>Fiscal year</i></th><th><i>Millions</i></th></tr><tr><td>1979</td><td>\$20</td></tr><tr><td>1980</td><td>133</td></tr><tr><td>1981</td><td>143</td></tr><tr><td>1982</td><td>154</td></tr><tr><td>1983</td><td>166</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1979	\$20	1980	133	1981	143	1982	154	1983	166	<p>28%</p>
<i>Fiscal year</i>	<i>Millions</i>																											
1979	Negligible																											
1980	\$133																											
1981	143																											
1982	154																											
1983	166																											
<i>Fiscal year</i>	<i>Millions</i>																											
1979	\$20																											
1980	133																											
1981	143																											
1982	154																											
1983	166																											
76. Corporate alternative capital gains tax (section 402 of the Senate amendment)	<p>An alternative tax of 30 percent applies to corporate net capital gains if that rate is less than its regular tax rates. No special deduction for corporate capital gains is available.</p>	<p>No provision.</p>	<p>Reduces the corporate alternative tax rate from 30 percent to 28 percent.</p> <p>Effective date.—Sales occurring, and installment payments received, after December 31, 1978.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><th><i>Fiscal year</i></th><th><i>Millions</i></th></tr><tr><td>1979</td><td>\$53</td></tr><tr><td>1980</td><td>125</td></tr><tr><td>1981</td><td>141</td></tr><tr><td>1982</td><td>155</td></tr><tr><td>1983</td><td>170</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1979	\$53	1980	125	1981	141	1982	155	1983	170	<p>28%</p>												
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1979	\$53																											
1980	125																											
1981	141																											
1982	155																											
1983	170																											

Item	Present Law	House Bill	Senate Amendment	Conference Action												
77. Indexing of capital assets for purposes of gain on sale (section 404 of the House bill)	No adjustment is provided (other than the 50-percent capital gain deduction) to take account of inflation in determining gain upon sale.	<p>The bill provides for an indexing for inflation of the basis of common stock, real estate and tangible personal property for purposes of determining gain (or loss) on sale.</p> <p>Effective date.—Sales or exchanges after December 31, 1979 in taxable years ending after such date.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><thead><tr><th>Fiscal year</th><th>Millions</th></tr></thead><tbody><tr><td>1979</td><td>-----</td></tr><tr><td>1980</td><td>----- Negligible</td></tr><tr><td>1981</td><td>----- \$409</td></tr><tr><td>1982</td><td>----- 1,396</td></tr><tr><td>1983</td><td>----- 2,082</td></tr></tbody></table>	Fiscal year	Millions	1979	-----	1980	----- Negligible	1981	----- \$409	1982	----- 1,396	1983	----- 2,082	No provision.	Out
Fiscal year	Millions															
1979	-----															
1980	----- Negligible															
1981	----- \$409															
1982	----- 1,396															
1983	----- 2,082															
78. Exclusion of gain on residential sales (section 405 of the House bill and section 403 of the Senate amendment)	<p><i>In general.</i>—An individual who has attained age 65 may elect to exclude from gross income, on a one-time basis, all gain realized on the sale of a principal residence, owned and used for 5 or more years during the 8-year period preceding the sale, if the adjusted sales price is \$35,000 or less. If the sales price exceeds \$35,000, the excludable amount is that portion of the gain which is determined by multiplying the total gain by \$35,000 over the adjusted sales price.</p> <p><i>Occupancy time.</i>—Five years out of the 8-year period preceding the sale.</p>	<p><i>In general.</i>—Individuals may elect to exclude from gross income up to \$100,000 (\$50,000 in the case of married individuals filing separate returns) of any gain realized on the sale of a principal residence. The exclusion may not be used in conjunction with the rollover provision.</p> <p><i>Occupancy time.</i>—Two years out of the 3-year period preceding the sale.</p>	<p><i>In general.</i>—Extends the exclusion ratio provision of present law to all taxpayers 55 or over, or who are totally and permanently disabled, and increases the numerator from \$35,000 (over the adjusted sales price times the gain realized) to \$100,000.</p> <p><i>Occupancy time.</i>—Same as the House bill. Transition rule allows the use and occupancy requirements of present law applicable to taxpayers over 65 (5 years or more out of the 8-year period which precedes the sale) to be used until July 26, 1981.</p>	House version is better Senate version is better A solution to 1984 page 55 or 56												

Item	Present Law	House Bill	Senate Amendment	Conference Action																							
78. Exclusion of gain on residential sales (cont.)	<i>Availability.</i> —More than one time.	<i>Availability.</i> —Once.	<i>Availability.</i> —Once.																								
	<i>Involuntary conversion.</i> —The holding period of a condemned or involuntarily converted residence is not added to that of a replacement residence for qualifying gain on the sale of the latter for the exclusion.	<i>Involuntary conversion.</i> —No provision.	<i>Involuntary conversion.</i> —Holding period of a condemned or involuntarily converted residence may be added to that of a replacement residence.																								
	<i>Minimum tax.</i> —Capital gain recognized on the sale of a personal residence is a tax preference item.	<i>Minimum tax.</i> —Repeals the tax preference for capital gain recognized on the sale of a principal residence.	<i>Minimum tax.</i> —Same as House bill.																								
		<i>Effective date.</i> —Sales of principal residences after July 26, 1978.	<i>Effective date.</i> —Same as House bill.																								
		<i>Revenue effect.</i> —Reduces budget receipts by:	<i>Revenue effect.</i> —Reduces budget receipts by:																								
	<table><tr><td><i>Fiscal year</i></td><td><i>Millions</i></td></tr><tr><td>1979</td><td>\$282</td></tr><tr><td>1980</td><td>745</td></tr><tr><td>1981</td><td>820</td></tr><tr><td>1982</td><td>901</td></tr><tr><td>1983</td><td>992</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1979	\$282	1980	745	1981	820	1982	901	1983	992	<table><tr><td><i>Fiscal year</i></td><td><i>Millions</i></td></tr><tr><td>1979</td><td>\$150</td></tr><tr><td>1980</td><td>322</td></tr><tr><td>1981</td><td>354</td></tr><tr><td>1982</td><td>390</td></tr><tr><td>1983</td><td>429</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1979	\$150	1980	322	1981	354	1982	390	1983	429	
<i>Fiscal year</i>	<i>Millions</i>																										
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Item	Present Law	House Bill	Senate Amendment	Conference Action												
79. Rollover of gain on residential sales (section 406 of the House bill and section 405 of the Senate amendment)	Gain realized from the sale of a taxpayer's principal residence generally is not recognized where the taxpayer purchases and uses a new principal residence, at least equal in cost to the sales price of the old residence, within a period beginning 18 months before, and ending 18 months after, the sale. Only the last principal residence purchased and used during this replacement period constitutes the new residence for purposes of the rollover provision.	<p>Provides that an individual may roll-over gain on the sale of more than one principal residence within the replacement period of present law if the purchase and sale of each new residence is attributed to the individual's relocation for work purposes.</p> <p>Effective date.—Sales and exchanges after July 26, 1978.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><thead><tr><th><i>Fiscal year</i></th><th><i>Millions</i></th></tr></thead><tbody><tr><td>1979</td><td>\$2</td></tr><tr><td>1980</td><td>3</td></tr><tr><td>1981</td><td>3</td></tr><tr><td>1982</td><td>3</td></tr><tr><td>1983</td><td>3</td></tr></tbody></table>	<i>Fiscal year</i>	<i>Millions</i>	1979	\$2	1980	3	1981	3	1982	3	1983	3	Same as House bill.	
<i>Fiscal year</i>	<i>Millions</i>															
1979	\$2															
1980	3															
1981	3															
1982	3															
1983	3															
80. Capital gains study (section 407 of the House bill)	Generally the Treasury Department is not required to submit reports to Congress on the effectiveness of specific tax provisions in accomplishing the purposes for which they were enacted.	<p>The Treasury Department is required to prepare, and submit to Congress, a report on the effectiveness of the reductions of both the individual and corporate capital gains tax rates in stimulating investment, increasing the rate of economic growth, increasing employment, and of the effects of these reductions on income tax revenues.</p> <p>Effective date.—The report is to be made by September 30, 1981.</p>	No provision.													

VI. MINIMUM AND MAXIMUM TAX PROVISIONS

A. Minimum Tax Provisions

Item	Present Law	House Bill	Senate Amendment	Conference Action
81a. Minimum tax for individuals (sections 402 and 403 of the bill and sections 421 and 422 of the Senate amendment)	<p>A 15-percent tax is imposed on the sum of tax preferences in excess of the greater of one-half of regular income taxes paid or \$10,000.</p> <p><i>Tax base.</i>—Tax preferences are:</p> <ol style="list-style-type: none"> (1) Excess of accelerated over straight-line real property depreciation; (2) Excess of accelerated over straight-line depreciation on leased personal property; (3) Excess amortization of certified pollution control facilities; (4) Excess amortization of railroad rolling stock; (5) Qualified stock options; (6) Percentage depletion in excess of adjusted basis; (7) One-half of net capital gains; (8) Excess amortization of childcare facilities; (9) Itemized deductions (other than medical and casualty loss deductions) in excess of 60 percent of AGI; (10) Intangible drilling costs of oil and gas wells in excess of the amount amortizable and, for 1977, in excess of net income from oil and gas properties. <p>(Tax preferences also reduce the amount of personal service income which is eligible for the 50-percent maximum tax. <i>See</i> Item 82a, below.)</p>	<p>Retains present law, but removes capital gains as an item of tax preference.</p> <p><i>Tax base.</i>—Removes capital gains as an item of tax preference; retains other items of present law.</p>	<p>Replaces the present minimum tax, for taxable years beginning after December 31, 1978, with an alternative minimum tax (discussed below).</p> <p><i>Tax base.</i>—Same as present law for November and December, 1978, with the following changes:</p> <ol style="list-style-type: none"> (1) net capital gains preference is increased from 50 to 70 percent; (2) net capital gains preference does not include gain from the sale of a taxpayer's principal residence; (3) extends the 1977 rule for oil income offset to intangible drilling costs to 1978 and all future years; and (4) provides certain charitable lead trusts established prior to January 1, 1977 are not subject to the itemized deduction preference for contributions attributable to property received prior to that date. <p>(Same as the House bill.)</p>	<p>11/1/79</p>

Item	Present Law	House Bill	Senate Amendment	Conference Action								
		<p><i>Alternative minimum tax on capital gains.</i>—A 10-percent tax is imposed on one-half of net capital gains (other than that from the sale of the taxpayer's principal residence), reduced by a \$10,000 exemption, if this amount ex-</p> <p>No provision.</p>	<p>No provision.</p> <p><i>Alternative minimum tax.</i>—Establishes an alternative minimum tax, which is payable only if it exceeds regular income tax, on the sum of taxable income plus tax preferences, reduced by a \$20,000 exemption. The following rates apply at the indicated tax base levels:</p> <table><tr><td></td><td><i>Percent</i></td></tr><tr><td>\$0 to \$40,000-----</td><td>10</td></tr><tr><td>\$40 to \$80,000-----</td><td>20</td></tr><tr><td>Over \$80,000-----</td><td>25</td></tr></table> <p><i>Tax base.</i>—Taxable income increased by tax preferences. Tax preferences are the same as under present law, as modified by the amendment (see above), and with the following change:</p> <p>The itemized deduction preference does not include medical or casualty deductions (as under present law), deductions for State and local taxes, or the deduction allowed by section 691(c)."</p> <p>The preference is the remaining itemized deductions over 60 percent of AGI as reduced by the excluded itemized deductions.</p> <p><i>Elections.</i>—Provides an irrevocable election to capitalize intangible drilling costs for any oil and gas property.</p> <p>Provides an election to recipients of qualified stock options to treat the option as being nonqualified.</p>		<i>Percent</i>	\$0 to \$40,000-----	10	\$40 to \$80,000-----	20	Over \$80,000-----	25	
	<i>Percent</i>											
\$0 to \$40,000-----	10											
\$40 to \$80,000-----	20											
Over \$80,000-----	25											



Item	Present Law	House Bill	Senate Amendment	Conference Action																								
81b. Corporate minimum tax (section 402 of the House bill)		<p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><th>Fiscal year</th><th>Millions</th></tr><tr><td>1979</td><td>-----</td></tr><tr><td>1980</td><td>\$1,327</td></tr><tr><td>1981</td><td>1,495</td></tr><tr><td>1982</td><td>1,605</td></tr><tr><td>1983</td><td>1,766</td></tr></table>	Fiscal year	Millions	1979	-----	1980	\$1,327	1981	1,495	1982	1,605	1983	1,766	<p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><th>Fiscal year</th><th>Millions</th></tr><tr><td>1979</td><td>-----</td></tr><tr><td>1980</td><td>\$1,566</td></tr><tr><td>1981</td><td>1,722</td></tr><tr><td>1982</td><td>1,894</td></tr><tr><td>1983</td><td>2,083</td></tr></table>	Fiscal year	Millions	1979	-----	1980	\$1,566	1981	1,722	1982	1,894	1983	2,083	
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	<p><i>Credits against tax.</i>—Generally, credits are not allowed against the minimum tax.</p>	<p><i>Credits against tax.</i>—Refundable credits are allowed against the alternative minimum tax on capital gains.</p>	<p><i>Credits against tax.</i>—Foreign tax and refundable credits are allowed against alternative minimum tax. Investment, WIN, and targeted jobs tax credit carryovers are not reduced to the extent of alternative minimum tax liability.</p>																									
		<p>Effective date.—Taxable years beginning after December 31, 1978.</p>	<p>Effective date.—Same as the House bill.</p>																									
		<p>Revenue effect.—Increases budget receipts by:</p> <table><tr><th>Fiscal year</th><th>Millions</th></tr><tr><td>1979</td><td>0</td></tr><tr><td>1980</td><td>\$172</td></tr><tr><td>1981</td><td>190</td></tr><tr><td>1982</td><td>209</td></tr><tr><td>1983</td><td>230</td></tr></table>	Fiscal year	Millions	1979	0	1980	\$172	1981	190	1982	209	1983	230	<p>Revenue effect.—Increases budget receipts by:</p> <table><tr><th>Fiscal year</th><th>Millions</th></tr><tr><td>1979</td><td>-----</td></tr><tr><td>1980</td><td>\$1,603</td></tr><tr><td>1981</td><td>1,763</td></tr><tr><td>1982</td><td>1,939</td></tr><tr><td>1983</td><td>2,133</td></tr></table>	Fiscal year	Millions	1979	-----	1980	\$1,603	1981	1,763	1982	1,939	1983	2,133	
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1983	2,133																											
	<p>A 15-percent minimum tax is imposed on the sum of tax preferences less the greater of \$10,000 or the full amount of regular tax.</p> <p><i>Tax Base.</i>—Preference items are the same as those for individuals (<i>see</i> Item 81a, above), with the following changes:</p> <p>(1) The capital gains preference is 18/48 of net capital gains;</p> <p>(2) Reserves for losses on bad debts of financial institutions are included; and</p> <p>(3) Preferences for itemized deductions, accelerated depreciation on leased personal property, and intangible drilling costs do not apply.</p>	<p>Eliminates corporate capital gains as an item of tax preference.</p> <p>Effective date.—Taxable years beginning after December 31, 1978.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><th>Fiscal year</th><th>Millions</th></tr><tr><td>1979</td><td>-----</td></tr><tr><td>1980</td><td>\$95</td></tr><tr><td>1981</td><td>104</td></tr><tr><td>1982</td><td>114</td></tr><tr><td>1983</td><td>125</td></tr></table>	Fiscal year	Millions	1979	-----	1980	\$95	1981	104	1982	114	1983	125	<p>No provision.</p>													
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1982	114																											
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Item	Present Law	House Bill	Senate Amendment	Conference Action																								
82a. Limitation on personal service income (section 442 of the Senate amendment)	<p>The highest marginal tax rate on personal service income is 50 percent. Where both personal services and capital are material income producing factors in an unincorporated trade or business, a reasonable allowance for personal services, but not in excess of 30 percent, is treated as personal service income.</p>	<p>No provision.</p>	<p>Substitutes a reasonable compensation test for the 30-percent limitation on the amount of business income that can be treated as personal service income subject to the maximum tax.</p> <p>Effective date.—Taxable years beginning after December 31, 1978.</p> <p>Revenue effect.—(See Item 82b, below.)</p>	<p><i>for</i></p>																								
82b. Tax preference offset (section 402 of the House bill and section 411 of the Senate amendment)	<p>The highest marginal tax rate on personal service income is 50 percent. The amount eligible for this maximum tax rate is reduced dollar-for-dollar by the taxpayer's tax preferences for the year, including capital gains.</p>	<p>Removes the capital gains tax preference offset of the amount of personal service income eligible for the maximum tax.</p> <p>Effective date.—Taxable years beginning December 31, 1978.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><th>Fiscal year</th><th>Millions</th></tr><tr><td>1979</td><td>45</td></tr><tr><td>1980</td><td>50</td></tr><tr><td>1981</td><td>54</td></tr><tr><td>1982</td><td>60</td></tr><tr><td>1983</td><td>66</td></tr></table>	Fiscal year	Millions	1979	45	1980	50	1981	54	1982	60	1983	66	<p>Same as the House bill.</p> <p>Effect date.—Sales or exchanges after October 31, 1978 in taxable years ending after that date.</p> <p>Revenue effect.—Reduces budget receipts by: *</p> <table><tr><th>Fiscal year</th><th>Millions</th></tr><tr><td>1979</td><td>\$27</td></tr><tr><td>1980</td><td>111</td></tr><tr><td>1981</td><td>126</td></tr><tr><td>1982</td><td>142</td></tr><tr><td>1983</td><td>160</td></tr></table> <p>*Includes the revenue loss attributable to Item 82a, above.</p>	Fiscal year	Millions	1979	\$27	1980	111	1981	126	1982	142	1983	160	<p><i>for</i></p> <p><i>10/1/78</i></p>
Fiscal year	Millions																											
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VII. OTHER TAX PROVISIONS

Item	Present Law	House Bill	Senate Amendment	Conference Action
83. Employment status of independent contractors and employees (section 501 of the Senate amendment)	<p>The classification of particular workers or classes of workers as employees or independent contractors for purposes of Federal income tax withholding, Social Security (FICA) taxes and unemployment (FUTA) taxes is made under the common law test of control.</p>	<p>No provision. (On October 10, 1978, the Committee on Ways and Means reported H.R. 14159, which—(1) terminates pre-1979 employment tax liabilities of taxpayers who had a reasonable basis treating workers other than as employees; (2) extends relief prospectively through 1979 for taxpayers having a reasonable basis for their classification of workers, and (3) prohibits the issuance of regulations and Revenue Rulings on common law employment status before 1980.</p> <p>Effective date.—Date of enactment.</p> <p>Revenue effect.—Same as the Senate amendment.)</p>	<p>Prohibits the IRS from applying any new or changed position with respect to an individual's status for employment tax purposes, if the position is inconsistent with a pre-1976 general audit position, ruling, or regulation.</p> <p>It also prohibits IRS reclassifications of individuals whom taxpayers in good faith treated as independent contractors provided the taxpayers fulfilled tax filing requirements.</p> <p>Effective date.—Applies for all calendar quarters, for which as of date of enactment, an assessment or refund with respect to employment taxes is not barred.</p> <p>Revenue effect.—The revenue effect cannot be estimated because the provision affects liabilities being contested by taxpayers in administrative and judicial proceedings.</p>	
84. Employer reporting requirements with respect to charged tips (section 502 of the Senate bill)	<p>Under IRS rulings, an employer would be required to report to the IRS with respect to a particular employee the amounts of (1) tips reported to the employer by that employee and (2) any other charge account tips paid over by the employer to the employee.</p> <p>The Tax Reform Act of 1976 postponed applicability of these rulings until January 1, 1979.</p>	<p>No provision.</p>	<p>With respect to the amount of tips paid to a particular employee, (1) an employer is required only to report to the IRS the amount of tips actually reported to the employer by the employee, and (2) the only records of charged tips which the employer must keep are charge receipts and copies of the employee's statement of his or her tip income.</p> <p>Effective date.—Applies to payments made after December 31, 1978.</p> <p>Revenue effect.—If the employer reporting requirements contained in the IRS rulings were to take effect, increases in budget receipts could be substantial. This revenue is not being collected at the present time; therefore, no change in budget receipts is estimated.</p>	


Item	Present Law	House Bill	Senate Amendment	Conference Action												
85. Deferral of carryover basis rules (section 503 of the Senate amendment)	<p>Under the Tax Reform Act of 1976, the basis of property passing from a decedent is "carried over" from the decedent to the estate or heir. Basis adjustments are made for (1) certain death taxes attributable to appreciation, (2) appreciation arising prior to 1977 (the so-called "fresh start" adjustment), and (3) a \$60,000 minimum basis. The provision applies with respect to property passing from decedents dying after December 31, 1976.</p>	<p>No provision.</p>	<p>The effective date of the carryover basis provisions would be postponed so that they will only apply to property acquired from decedents dying after December 31, 1979. For estates of decedents dying after 1976 and before the date of enactment of the bill, an executor could elect the carryover basis rules.</p> <p>Effective date.—The provisions apply with respect to estates of decedents dying after 1976.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><th><i>Fiscal year</i></th><th><i>Millions</i></th></tr><tr><td>1979</td><td>\$36</td></tr><tr><td>1980</td><td>93</td></tr><tr><td>1981</td><td>162</td></tr><tr><td>1982</td><td>133</td></tr><tr><td>1983</td><td>110</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1979	\$36	1980	93	1981	162	1982	133	1983	110	<p>Dr. Sargent election record</p>
<i>Fiscal year</i>	<i>Millions</i>															
1979	\$36															
1980	93															
1981	162															
1982	133															
1983	110															
86. Jointly-owned farms and closely held businesses (section 504 of the Senate amendment)	<p>Presently, the value of a joint tenancy with rights of survivorship is included in the joint tenant's gross estate except for the portion of the value shown to be attributable to consideration furnished by the surviving joint tenant. In the case of property jointly owned by spouses, only one-half of the value is included in the deceased spouse's gross estate if the creation of the joint interest was treated as a gift for gift tax purposes.</p>	<p>No provision.</p>	<p>For eligible joint interests (i.e., farms and other businesses) held by a decedent and his or her spouse, each spouse would be treated as having furnished consideration for the property (less the portion attributable to the actual consideration of each spouse, including a reasonable return on such consideration) at the rate of 2 percent a year for each year that the property was operated jointly. The imputed consideration could not exceed 50 percent of the value of the property, or \$500,000.</p> <p>Effective date.—Applies with respect to estates of decedents dying after December 31, 1978.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><th><i>Fiscal year</i></th><th><i>Millions</i></th></tr><tr><td>1979</td><td>less than \$1</td></tr><tr><td>1980</td><td>\$37</td></tr><tr><td>1981</td><td>39</td></tr><tr><td>1982</td><td>41</td></tr><tr><td>1983</td><td>43</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1979	less than \$1	1980	\$37	1981	39	1982	41	1983	43	<p>for</p>
<i>Fiscal year</i>	<i>Millions</i>															
1979	less than \$1															
1980	\$37															
1981	39															
1982	41															
1983	43															


Item	Present Law	House Bill	Senate Amendment	Conference Action
87. Source of interest income on Puerto Rican branches of U.S. savings and loan associations (section 505 of the Senate amendment)	<p>U.S. citizens and resident aliens residing in Puerto Rico generally are subject to U.S. tax on all of their income other than Puerto Rican source income. U.S. corporations qualifying under section 936 are entitled to a "possession" credit against any U.S. tax on foreign source income of their U.S. possession's businesses, and on certain investment income from U.S. possession sources.</p> <p>Generally, interest received from a U.S. corporation is treated entirely (or, in some cases, partially) as U.S. source income and thus does not qualify for the special tax treatment described above. However, interest on deposit with a foreign branch of a U.S. commercial bank, including a branch located in Puerto Rico, is treated as income from sources within that foreign locality. As a result, interest paid by Puerto Rico branches of a U.S. commercial bank generally qualifies for the special treatment provided Puerto Rican residents and possessions corporations. This exception for foreign branches of U.S. banks does not extend to similar branches of U.S. savings and loan associations.</p>	<p>No provision. (However, the Ways and Means Committee favorably reported a provision the same as to Senate provision as H.R. 13758).</p>	<p>Extends the special source rule for interest on deposits in foreign branches of U.S. commercial banks to interest on deposits in similar branches of U.S. savings and loan associations. As a result, interest from Puerto Rican branches of U.S. savings and loan associations will be treated as Puerto Rican source income, and thus will qualify for special treatment afforded Puerto Rican source income.</p> <p>Effective date.—Taxable years beginning after the date of enactment.</p> <p>Revenue effect.—Reduces budget receipts by less than \$5 million annually.</p>	
88. Reduction in excise tax on investment income of private foundations (section 506 of the Senate amendment)	<p>A 4-percent excise tax is imposed on the net investment income of domestic private foundations.</p>	<p>No provision. (However, H.R. 112, as passed by the House, is identical to the Senate amendment).</p>	<p>Reduces the rate of tax imposed on the net investment income of domestic private foundations to 2 percent.</p> <p>Effective date.—Applies to taxable years beginning after September 30, 1977.</p> <p>Revenue effect.—Reduces budget receipts by \$40 million per year in fiscal years 1979–1983.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action												
89. State tax credit against Federal slot machine tax (section 507 of the Senate amendment)	<p>Under present law, there is an annual Federal occupational excise tax of \$250 on each slot machine or other coin operated gaming device.</p> <p>An 80-percent credit against the Federal excise tax on slot machines is available for similar State taxes.</p>	No provision.	<p>Increases the State credit against the Federal slot machine excise tax from 80 to 95 percent for years ending June 30, 1979, and June 30, 1980. The Federal excise tax is repealed after June 30, 1980.</p> <p>Effective date.—Taxable years beginning after June 30, 1978.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><td><i>Fiscal year</i></td><td><i>Millions</i></td></tr><tr><td>1979</td><td>\$5</td></tr><tr><td>1980</td><td>6</td></tr><tr><td>1981</td><td>7</td></tr><tr><td>1982</td><td>7</td></tr><tr><td>1983</td><td>7</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1979	\$5	1980	6	1981	7	1982	7	1983	7	
<i>Fiscal year</i>	<i>Millions</i>															
1979	\$5															
1980	6															
1981	7															
1982	7															
1983	7															
90. Study of taxation of foreign owners of U.S. real estate (section 508 of the Senate amendment)	<p>Under the Code, nonresident aliens and foreign corporations are subject to a flat 30-percent tax on their gross current income from U.S. real estate investments not connected with an active business in the United States. However, they are exempt from capital gains tax on the sale of capital assets generally, and nonbusiness U.S. real estate in particular. They may elect to be taxed on a net basis on their current income from non-business real estate in the same manner as U.S. persons but, as a condition, must agree to be taxable on any gains from the sale of that real estate.</p> <p>Foreign investors can generally avoid most or all U.S. taxes on U.S. real estate, including both taxes on current income and gain on the sale, by utilizing U.S. tax treaties.</p>	No provision.	<p>Directs the Treasury Department to submit a study to Congress on the taxation of foreign owners of U.S. property for the purpose of determining the appropriate tax treatment of income or gain from U.S. property.</p> <p>Effective date.—The study is to be submitted within 6 months of the date of enactment of the provision.</p>													
91. Excessive government spending surtax (section 509 of the Senate amendment)	<p>Tax changes generally are not related directly to government spending levels, except that certain trust fund taxes have been changed when related expenditures have been increased or decreased.</p>	No provision.	<p>Imposes an income tax surcharge if Federal spending, except in the case of war or recession, exceeds specified limits. The surtax is to be the rate necessary to finance the Federal spending in excess of the limit, after adjustment for inflation.</p> <p>Effective date.—Effective upon enactment, but no surtax could apply prior to calendar year 1980.</p> <p>Revenue effect.—No revenue effect is expected.</p>													

Item	Present Law	House Bill	Senate Amendment	Conference Action
<p>92. Charitable split interest trusts (section 516 of the Senate amendment)</p> <p>(Floor amendment by Senator Bumpers, adopted by voice vote.)</p>	<p>The Tax Reform Act of 1969 imposed new requirements that have to be satisfied in order for a charitable deduction to be allowed for tax purposes for the transfer of a split interest to charity.</p>	<p>No provision. However, the House passed a similar provision as part of H.R. 6715, except that the date for reformation terminated on December 31, 1977.</p>	<p>Provides that the governing instrument of a charitable split interest trust created before December 31, 1977 may be amended or conformed to meet the charitable deduction requirements of the Internal Revenue Code on or before December 31, 1978.</p> <p>Effective date.—Effective upon enactment.</p> <p>Revenue effect.—Reduces budget receipts by \$15 million in fiscal year 1979.</p>	<p><i>[Handwritten mark]</i></p>
<p>93. Attribution rules for extension of time to pay estate tax (section 166 of the Senate amendment)</p> <p>(Floor amendment by Senator Cranton, adopted by voice vote.)</p>	<p>An executor can elect a 15-year period for the payment of the estate tax attributable to the decedent's interest in a closely held business if the value of that interest exceeds 65 percent of the value of the gross estate. Pursuant to such an election, principal (but not interest) payments may be deferred for up to 5 years from the date of the estate tax return, and a special 4-percent interest rate is allowed on the estate tax attributable to the first \$1 million of the business interest. For this purpose, a closely held business means an interest as (1) a sole proprietorship, (2) a partner in a partnership (a) having 15 or fewer partners, or (b) in which the decedent owned 20 percent or more of the capital, or (3) stock in a corporation (a) having 15 or fewer shareholders, or (b) in which the decedent owned 20 percent or more of the voting stock.</p>	<p>No provision. (However, the Senate amendment is the same as section 7 of H.R. 12578, which passed the House on September 12, 1978.)</p>	<p>Provides that stock or partnership interests held by the decedent's family is to be treated as being held by a single shareholder or partner for purposes of determining eligibility for the extended estate tax payment provisions.</p> <p>Effective date.—Applies to the estates of decedents dying after the date of enactment.</p> <p>Revenue effect.—This provision is not expected to affect budget receipts.</p>	<p><i>[Handwritten mark]</i></p>

Item	Present Law	House Bill	Senate Amendment	Conference Action
	<p>In determining the number of partners or shareholders, each individual is counted once without regard to any attribution rules.</p> <p>In addition, if the value of the business is in excess of either 35 percent of the value of the gross estate or 50 percent of the value of the taxable estate, a 10-year extended payment period may be used.</p> <p>Moreover, where reasonable cause for an extension exists, the Service has the discretion to extend the payment period for up to 10 years.</p>			
<p>94. Exemption from private foundation tax for failure to distribute income (section 510 of the Senate amendment)</p> <p>(Floor amendment by Senator Bartlett, adopted by voice vote.)</p>	<p>Private foundations generally are subject to excise taxes for failure to distribute income.</p>	No provision.	<p>Provides that any organization formed on or before May 26, 1969, which continuously thereafter operated and maintained as its principal functional purpose facilities for the long-term care, comfort, maintenance, or education of permanently and totally disabled persons, elderly persons, needy widows or children is not to be subject to the private foundation excise taxes for failure to distribute income. All other foundation rules would continue to apply.</p> <p>Effective date.—This provision is effective after January 1, 1970.</p> <p>Revenue effect.—This provision is not expected to affect budget receipts.</p>	<p><i>Operating foundation status if assets distributed in repayment of an operating foundation</i></p>


Item	Present Law	House Bill	Senate Amendment	Conference Action
<p>95. Small tax case procedures before the Tax Court (section 517 of the Senate amendment)</p> <p>(Floor amendment by Senator Clark, adopted by voice vote.)</p>	<p>Cases involving income, estate, or gift tax deficiencies of less than \$1,500 may be tried, at the taxpayers option, under the small tax case procedures of the Tax Court. These trials are conducted informally and neither the IRS or the taxpayers may appeal the decision.</p> <p>These cases are usually tried by Tax Court commissioners who under present law have no specific authority to issue oaths or subpoenas or file reports of their findings and conclusions.</p>	<p>No provision. (However, on October 10, 1978, the House passed a provision identical to the Senate amendment in H.R. 13092.)</p>	<p>Provides that the jurisdictional amount is increased to \$5,000.</p> <p>Provides specific authority for the chief judge to assign small tax cases to commissioners for trial.</p> <p>Provides specific authority to commissioners to issue oaths and subpoenas.</p> <p>Also provides authority to commissioners to examine witnesses and enter decisions in small tax cases.</p> <p>Effective date.—The provision of the bill increasing the jurisdictional amount in small tax cases from \$1,500 to \$5,000 are effective on the first day of the first calendar month beginning more than 180 days after the date of the enactment of the bill. The provisions of the bill relating to the powers of commissioners are effective on the date of enactment.</p> <p>Revenue effect.—The provision is not expected to have any revenue effect.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
<p>96. Tax treatment of cooperative housing corporations (section 519 of the Senate amendment)</p> <p>(Floor amendment by Senator Moynihan, agreed to by voice vote.)</p>	<p>Under present law, a tenant-stockholder in a cooperative housing corporation is entitled to deduct amounts paid to the corporation which represents his or her proportionate share of allowable real estate taxes and interest relating to the corporation's land and buildings. (In addition, to the extent a tenant-stockholder uses depreciable property leased from the cooperative housing corporation in a trade or business or for the production of income, the tenant-shareholder is allowed to take depreciation deductions with respect to the stock the ownership of which gives the tenant stockholder the right to lease such property.)</p> <p>In general, for an organization to qualify to pass through these deductions to tenant-stockholders, 80 percent or more of the gross income of the cooperative housing corporation must have been derived from individual tenant-stockholders. However, for purposes of determining whether the 80 percent test has been satisfied, stock owned and dwelling units leased by governmental entities for the purpose of providing housing facilities are not taken into account. Further, banks and other lending institutions which obtain stock in a cooperative housing corporation through foreclosures are treated as tenant-stockholders for up to three years after the date of acquisition.</p>	<p>No provision.</p>	<p>Provides that if a person (including a corporation) who conveys the houses, apartment building or leasehold thereof to a cooperative housing corporation acquires stock in the corporation by purchase or foreclosure, together with a lease or right to occupy the house or apartment, such person would be treated as a tenant-stockholder for up to three years from the date of acquisition. This provision would apply even though such person or any purchaser from such person could not occupy the apartment or house without prior approval of the corporation or its managing agent.</p> <p><i>Effective date.</i>—Applies to stock acquired after the date of enactment.</p> <p><i>Revenue effect.</i>—Reduces budget receipts by less than \$5 million annually.</p>	


Item	Present Law	House Bill	Senate Amendment	Conference Action
<p>97. Tax exemption for certain mutual deposit guaranty organizations (section 387 of the Senate amendment)</p> <p>(Floor amendment by Senator Morgan, adopted by voice vote.)</p>	<p>Present law provides an exemption from Federal income taxation for State-chartered, nonprofit mutual corporations or associations organized before September 1, 1957, which provide reserve funds for, and insurance of shares or deposits in, State-chartered (1) domestic building and loan associations ("savings and loan associations"), (2) certain cooperative banks, or (3) mutual savings banks (section 501(c)(14)(B)).</p>	<p>No provision.</p>	<p>Extends Federal income tax exemption retroactively to any State-chartered organization created before January 1, 1969, which provides reserve funds for, and insurance of shares or deposits in, State-chartered savings and loan associations, cooperative banks, or mutual savings banks.</p> <p>Also, prospectively provides Federal income tax exemption for certain State-chartered organizations created before January 1, 1969, which provide reserve funds for, and insurance of shares or deposits in, both State-chartered credit unions and State-chartered savings and loan associations.</p> <p>Effective date.—The provision extending exemption to a mutual deposit guaranty organization which is created before January 1, 1969 and which provides reserves and share insurance for savings and loan associations applies to all taxable years beginning after December 31, 1967. The provision extending exemption to an organization providing reserves and share insurance for both credit unions and savings and loan association applies to taxable years ending after the date of enactment.</p> <p>Revenue effect.—Reduces budget receipts by approximately \$5 million in fiscal year 1979, and less than \$1 million per year thereafter.</p>	<p><i>Oct</i></p>

Item	Present Law	House Bill	Senate Amendment	Conference Action
<p>98. Accounting treatment for magazines, etc., returned after the close of the taxable year (section 384 of the Senate amendment)</p> <p>(Floor amendment by Senator Matsunaga, adopted by voice vote.)</p>	<p>Under present law, sellers of merchandise who use an accrual method of accounting generally must include sales proceeds in income for the taxable year when all events have occurred that fix the right to receive the income and the amount can be determined with reasonable accuracy. The Internal Revenue Service has taken the position that accrual-basis publishers and distributors of magazines, paperbacks, or records must include the sales proceeds of these items in income when they are shipped to purchasers, and may reduce income for returns only in the year the items are returned unsold by the purchaser.</p>	<p>No provision. (However, the Senate amendment is identical to H.R. 3050 as passed by the House, except for the effective date.)</p>	<p>Permits an accrual-basis publisher or distributor of magazines, paperbacks, or records to elect to exclude from income amounts attributable to qualifying items returned within 2 months and 15 days (in the case of magazines) and 4 months and 15 days (in the case of paperbacks and records) after the close of the taxable year in which the sales of the items were made.</p> <p>The election of this method of accounting is a change in method of accounting that gives rise to a "transitional adjustment" (see present law). However, under the amendment special rules are provided regarding the treatment of the transitional adjustment.</p>	<p><i>[Handwritten mark]</i></p>
	<p>Also under present law, when a taxpayer changes a method of accounting, certain adjustments (called transitional adjustments) are often required to prevent the duplication or omission of an item of income or deduction. These transitional adjustments are subject to special rules that generally prescribe that the amount of adjustment is to be taken into income (or claimed as a deduction) ratably over 10 years, beginning with the year in which the change in method of accounting occurs.</p>		<p>Under the amendment, the transitional adjustment (usually a deduction under this election) attributable to magazines is amortized over 5 years and the transitional adjustment attributable to paperbacks and records is placed in a suspense account. The effect of the suspense account is to defer the deduction of the transitional adjustment until the taxpayer is no longer in the trade or business of publishing or distributing paperbacks or records. The purpose of the suspense account is to reduce the revenue loss on provisions that allow taxpayers to more nearly conform their tax and financial accounting.</p>	<p><i>[Handwritten mark]</i></p>

Item	Present Law	House Bill	Senate Amendment	Conference Action																								
		<p>Effective date.—The bill, H.R. 3050, as passed by the House, would be effective for taxable years beginning after December 31, 1976.</p> <p>Revenue effect.—Reduce budget receipts by:</p> <table><tr><td><i>Fiscal year</i></td><td><i>Millions</i></td></tr><tr><td>1979</td><td>\$12</td></tr><tr><td>1980</td><td>11</td></tr><tr><td>1981</td><td>11</td></tr><tr><td>1982</td><td>12</td></tr><tr><td>1983</td><td>12</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1979	\$12	1980	11	1981	11	1982	12	1983	12	<p>Effective date.—Effective for taxable years beginning after September 30, 1979.</p> <p>Revenue effect.—Reduce budget receipts by:</p> <table><tr><td><i>Fiscal year</i></td><td><i>Millions</i></td></tr><tr><td>1979</td><td>0</td></tr><tr><td>1980</td><td>\$5</td></tr><tr><td>1981</td><td>11</td></tr><tr><td>1982</td><td>12</td></tr><tr><td>1983</td><td>12</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1979	0	1980	\$5	1981	11	1982	12	1983	12	
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Item	Present Law	House Bill	Senate Amendment	Conference Action
<p>99. Accounting treatment for discount coupons redeemed after the close of the taxable year (section 383 of the Senate amendment)</p> <p>(Floor amendment by Senator Matsunaga, adopted by voice vote.)</p>	<p>Under Treasury regulations specifying the appropriate taxable year for inclusion of income items, accrual-basis issuers of premium coupons with sales may reduce gross receipts by the estimated cost of redeeming such coupons outstanding at the close of the taxable year (plus the cost of redeeming coupons during the taxable year that have not previously been taken into account). The term "premium coupon" is not defined in the regulations, and the courts have not directly addressed the question of what constitutes a premium coupon. The Internal Revenue Service has issued two revenue rulings that deny the application of the regulation to two types of coupons that give consumers "cents off" or other discounts on the purchase price of specified merchandise.</p> <p>Also under present law, when a taxpayer changes a method of accounting, certain adjustments (called transitional adjustment) are often required to prevent the duplication or omission of an item of income or deduction. These transitional adjustments are subject to special rules that generally prescribe that the amount of adjustment is to be taken into income (or claimed as a deduction) ratably over 10 years, beginning with the year in which the change in method of accounting occurs.</p>	<p>No provision. (However the Senate amendment is identical to H.R. 13047, which was reported by the Committee on Ways and Means.)</p>	<p>Provides a special accounting rule that allows certain issuers of qualified discount coupons to elect to deduct for a taxable year the cost of redeeming qualified discount coupons that are (1) outstanding at the close of the taxable year, and (2) redeemed within 6 months after the close of the taxable year, plus the cost (if not previously taken into account) of redeeming discount coupons received during the year. This rule only applies to discount coupons and does not affect the tax treatment of premium coupons.</p>	<p></p>
			<p>The election of this method of accounting is a change in method of accounting that gives rise to a "transitional adjustment" (see present law). However, under the amendment special rules are provided regarding the treatment of the transitional adjustment.</p> <p>Under the amendment a transitional adjustment that would increase taxable income is taken into income ratably over a period of 10 years, beginning with the year in which the change in method of accounting occurs. A transitional adjustment that would decrease taxable income is placed in a suspense account. The effect of the suspense account is to defer the deduction of the transitional adjustment until the taxpayer no longer issues discount coupons in connection with his trade or business. The purpose of the suspense account is to reduce the revenue loss on provisions that allow taxpayers to more nearly conform their tax and financial accounting.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action																								
		<p>Effective date.—The bill, H.R. 13047, as passed by the House, would be effective for taxable years ending after December 31, 1978.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><th><i>Fiscal year</i></th><th><i>Millions</i></th></tr><tr><td>1979</td><td>0</td></tr><tr><td>1980</td><td>\$103</td></tr><tr><td>1981</td><td>10</td></tr><tr><td>1982</td><td>10</td></tr><tr><td>1983</td><td>10</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1979	0	1980	\$103	1981	10	1982	10	1983	10	<p>The amendment also allows taxpayers who, in prior years, have accounted for discount coupons under the existing premium coupon regulations to elect to treat their method of accounting as a proper method for those years. If a taxpayer makes this second election within a specified period of time, and it covers all discount coupons issued in those prior years, then he will not be required to establish the suspense account. Instead, the present law rules relating to transitional adjustments would apply to the transitional adjustment.</p> <p>Effective date.—Effective for taxable years ending after December 31, 1978.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><th><i>Fiscal year</i></th><th><i>Millions</i></th></tr><tr><td>1979</td><td>0</td></tr><tr><td>1980</td><td>\$103</td></tr><tr><td>1981</td><td>10</td></tr><tr><td>1982</td><td>10</td></tr><tr><td>1983</td><td>10</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1979	0	1980	\$103	1981	10	1982	10	1983	10	
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Item	Present Law	House Bill	Senate Amendment	Conference Action												
100. Exemption from highway use tax for farm and soil and water conservation trucks (section 511 of the Senate amendment) (Floor amendment by Senator McGovern, adopted by voice vote.)	An annual highway use tax of \$3 per 1,000 pounds is imposed on the use of highway motor vehicles having a group weight in excess of 26,000. The tax is scheduled to expire on October 1, 1979. (However, H.R. 11733, as passed by the House and the Senate would extend the present tax rate through September 30, 1984.)	No provision.	Exempts certain farm and soil and water conservation trucks from the highway use tax. The exemption would not apply to any vehicle registered in the name of a corporation the gross receipts of which for the last taxable year exceeded \$950,000, or which derived more than 50 percent of its gross receipts for the year from activities other than farming or soil and water conservation. Effective date. —Applies to uses after the first day of the first month which begins more than 30 days after the date of enactment. Revenue effect. —Reduce budget receipts by: <table><tr><th><i>Fiscal year</i></th><th><i>Millions</i></th></tr><tr><td>1979</td><td>12</td></tr><tr><td>1980</td><td>20</td></tr><tr><td>1981</td><td>20</td></tr><tr><td>1982</td><td>20</td></tr><tr><td>1983</td><td>20</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1979	12	1980	20	1981	20	1982	20	1983	20	
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Item	Present Law	House Bill	Senate Amendment	Conference Action
101. Taxation of foreign investors on sale of certain U.S. real estate (section 385 of the Senate amendment)	<p>Under the Code, nonresident aliens and foreign corporations are subject to a flat 30-percent tax on their gross current income from U.S. real estate investments not connected with an active business in the United States. However, they are exempt from capital gains tax on the sale of capital assets generally, and nonbusiness U.S. real estate in particular. They may elect to be taxed on a net basis on their current income from non-business real estate in the same manner as U.S. persons but, as a condition, must agree to be taxable on any gains from the sale of that real estate.</p> <p>Foreign investors can generally avoid most or all U.S. taxes on U.S. real estate, including both taxes on current income and gain on the sale, by utilizing U.S. tax treaties.</p>	No provision.	<p>Provides that nonresident aliens and foreign corporations would be taxed, at regular graduated income tax rates, on gains from the sale of farmland and other rural land (as defined in the Consolidated Farm and Rural Development Act) which is not connected with an active business in the United States. The amendment would make section 337 of the Code (relating to nonrecognition of gain in connection with certain liquidations) inapplicable to this farmland and rural land. These changes would also apply to the sale of stock of a corporation formed or availed of to hold such land, and would generally supersede tax treaty provisions.</p> <p>Effective date.—Generally is effective for sales in taxable years beginning after December 31, 1978. However, there is a 5-year delay for sales of property acquired prior to enactment if there is a contrary U.S. tax treaty obligation.</p> <p>Revenue effect.—(To be supplied).</p>	<p><i>Ref</i></p>
102. Alaskan Native Claims Settlement Act Corporations (section 521 of the Senate amendment) (Floor amendment by Senator Gravel, adopted by voice vote)	<p>Present law contains no special provisions relating to the taxation of Alaskan Native Claims Settlement Act Corporations. Corporations formed pursuant to the Alaska Native Claims Settlement Act (ANCSA) received cash grants from the U.S. and the right to select Alaskan land. The shareholders are Alaska Natives. The IRS has held that (1) the value of surveys of the land made by oil companies to assist the corporations in making their selections is income to the corporations; (2) land selection costs incurred by the corporations are not deductible but must be added to the basis for the land; and (3) other expenses of the corporations are non-deductible "start-up" costs because the corporations have not yet begun business. Because many Native shareholders are related to one another, some corporations may meet the definition of personal holding companies. The amendment would</p>	No provision.	<p>Provides that ANCSA corporations (1) do not include in income value of outside surveys; (2) may deduct land selection costs; (3) are deemed to have begun business; and (4) are not personal holding companies.</p> <p>Effective date.—AU provisions are effective as of December 18, 1971. Survey income provision would remain in effect until the earlier of 1991 or the date the corporation has received all its land under ANCSA. Personal holding company provisions would remain in effect until 1991.</p> <p>Revenue effect.—Settlement of the contested issues is not expected to result in a significant impact on budget receipts through 1983.</p>	<p><i>Am</i></p>

Item	Present Law	House Bill	Senate Amendment	Conference Action
<p>103. Technical corrections to the Tax Reform Act of 1976 (sections 701-703 of the Senate amendment)</p> <p>(Floor amendment by Senator Hathaway, adopted by voice vote.)</p>	<p>The Tax Reform Act of 1976 made numerous changes to the Internal Revenue Code of 1954.</p>	<p>No provision. (However, H.R. 6715, the Technical Corrections bill, which has passed the House, would make technical, clerical, conforming, and clarifying amendments to the provisions enacted by the Tax Reform Act of 1976.)</p>	<p>Same as H.R. 6715 as passed by the House, except:</p> <p>The effective date for the provision under which community property laws are to be disregarded for purposes of determining eligibility for, and the amount of, the elderly credit would be postponed for one year so that it would apply to taxable years beginning after 1977 (rather than 1976).</p> <p>The exemption from minimum tax preference treatment of excess itemized deductions for charitable deductions from a trust would be changed to apply to deductions attributable to transfers before 1977 (rather than before 1976).</p> <p>Charitable distributions by certain testamentary trusts would not be treated as an itemized deduction for purposes of the minimum tax preference for excess itemized deductions.</p> <p>In certain limited circumstances, retroactive decertification of buildings without historic significance would be permitted so that disallowance of deductions for the demolition of a historic structure would not apply.</p> <p>Rapid amortization would be allowed with respect to rehabilitation expenditures incurred by certain long-term lessees of historic structures.</p>	<p><i>do</i></p>


Item	Present Law	House Bill	Senate Amendment	Conference Action
103. Technical corrections to the 1976 Act (continued)			<p>A U.S. citizen residing abroad would not be subject to the foreign convention rules with respect to a convention held in the country in which the citizen resides.</p> <p>An exception to the vacation home disallowance rules would be provided so that personal use of a residence would not be taken into account for a taxable year in which the residence is converted to rental property.</p> <p>The real estate exception from the partnership at risk rules would be clarified to make it clear that the exception applies where services are rendered in connection with providing living accommodations, i.e., to hotels, motels, and similar establishments.</p> <p>The provision of the House bill which would have restricted the 6-month long-term capital gain holding period to agricultural commodities futures contracts is deleted so that all commodities futures contracts are eligible for the 6-month holding period rule.</p> <p>The amount recaptured as ordinary income under the special rules for depreciable player contracts sold by a sports franchise would be limited to depreciation allowable after 1975.</p> <p>The treatment of certain members of a fishing boat crew as self-employed individuals would be extended to cover services performed prior to 1972.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
103. Technical corrections to the 1976 Act (continued)			<p>A technical change would be made to make it clear that capital asset treatment would not apply to U.S. Government publications which are received by a taxpayer free of charge or at a reduced rate.</p> <p>The amendment would permit the tax-free sale of a truck part if it is to be resold by the purchaser in connection with the first retail sale of a light-duty truck.</p> <p>Conforming changes would be made to reflect the postponement of the carry-over basis provisions under another provision of the Senate amendment.</p> <p>The effective date of the generation-skipping provisions of the 1976 Act would be changed to apply to transfers made after June 11, 1976 (rather than April 30, 1976).</p> <p>Technical changes are made to the definition of a "subordinate trustee" for purposes of excepting a power held by an independent trustee under the generation-skipping transfer provision.</p> <p>The time for conforming governing instruments for split-interest trusts for charitable deduction purposes would be extended until the end of 1978 (rather than 1977). The provision would not apply to charitable remainder trusts with respect to the estate tax charitable deduction. (However, another Senate amendment provides a similar extension for charitable remainder trusts.)</p> <p>Effective date.—The effective dates of amendment generally are the same as the respective effective dates of the Tax Reform Act of 1976.</p> <p>Revenue effect.—Reduces budget receipts by \$8 million in fiscal year 1979, none in fiscal year 1980, less than \$1 million in fiscal year 1981, \$7 million in fiscal year 1982, and \$10 million in fiscal year 1983.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action												
104. Industrial development bonds for Urban Development Action Grant (UDAG) facilities (section 339 of the Senate amendment) (Senate floor amendment by Senator Bayh, adopted by voice vote)	Under present law, tax-exempt industrial development bonds can be issued, at the election of the issuer, up to a total of \$5 million if certain capital expenditures are counted toward the \$5 million limitation.	No provision.	<p>Under another provision of the bill (See item D. 1, above), the amount of the elective small issue limitation is increased from \$5 million to \$12 million.</p> <p>This amendment would permit the users of facilities with respect to which an Urban Development Action Grant (UDAG) has been made by the Department of Housing and Urban Development to make total capital expenditures of \$20 million on the facilities, even though only \$12 million could be financed with tax-exempt industrial development bonds.</p> <p>Effective date.—Effective for bonds issued after September 30, 1979.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><td><i>Fiscal year</i></td><td><i>Millions</i></td></tr><tr><td>1979-----</td><td>None</td></tr><tr><td>1980-----</td><td>Less than \$1</td></tr><tr><td>1981-----</td><td>\$1</td></tr><tr><td>1982-----</td><td>5</td></tr><tr><td>1983-----</td><td>9</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1979-----	None	1980-----	Less than \$1	1981-----	\$1	1982-----	5	1983-----	9	<i>h</i>
<i>Fiscal year</i>	<i>Millions</i>															
1979-----	None															
1980-----	Less than \$1															
1981-----	\$1															
1982-----	5															
1983-----	9															
105. Subordination of special liens for additional estate tax attributable to special valuation property (section 512 of the Senate amendment) (Floor amendment by Senator Clark, adopted by voice vote)	Present law provides an estate tax election pursuant to which certain qualifying property may be valued at actual use rather than at its fair market value. Where this election is made, a special lien arises on the property, and continues until the earlier of the recapture of the tax benefit, or the termination of potential liability for recapture (<i>i.e.</i> , the death of a qualified heir, or the expiration of a 15-year period from the decedent's death). The Treasury Department is to issue regulations under which other security could be substituted for the real property.	No provision.	<p>Permits the subordination of the special lien for additional estate tax attributable to the special valuation of a farm or other qualified real property where the Secretary of the Treasury is satisfied that the interests of the United States are protected adequately after subordination.</p> <p>Effective date.—Applies with respect to estates of decedents who died after December 31, 1976.</p> <p>Revenue effect.—This provision is not expected to affect budget receipts.</p>	<i>h</i>												



Item	Present Law	House Bill	Senate Amendment	Conference Action												
106. 10-year carryback of product liability net operating losses (section 382 of the Senate amendment) (Floor amendment by Senator Culver, adopted by voice vote)	<p>Under present law, net operating losses incurred in a taxable year generally may be "carried back" and offset against taxable income of the 3 years first preceding the year of loss and, if not fully absorbed, "carried forward" and offset against taxable income of the 7 years next succeeding the year of loss. Losses offset against taxable income in carryback years generally result in tax refunds, and losses offset against taxable income in future years generally result in decreases in tax liabilities for those years.</p> <p>Exceptions to this general rule provide different carryback and carryover periods for certain types of losses and certain taxpayers. For example the portion of a net operating loss that is attributable to a foreign expropriation loss may not be carried back at all, but may be carried forward 10 years (20 years in the case of a Cuban expropriation loss).</p> <p>Also, under present law, amounts accumulated to meet anticipated future casualty losses may be subject to the tax on the unreasonable accumulation of earnings.</p>	<p>No provision.</p>	<p>Under the Senate amendment, the portion of a net operating loss that is attributable to a product liability loss could be carried back an additional 7 years. Thus, in total, the product liability loss could be carried back to the 10 years first preceding the year of loss and carried forward to the 7 years next succeeding the year of loss.</p> <p>The amendment also provides that under regulations to be prescribed by the Secretary, reasonable amounts may be accumulated to pay future product liability loss without incurring the penalty tax on unreasonable accumulation of earnings.</p> <p>Effective date.—Effective for product liability losses incurred in taxable years beginning after September 30, 1979.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><td><i>Fiscal year</i></td><td><i>Millions</i></td></tr><tr><td>1979-----</td><td>less than \$1</td></tr><tr><td>1980-----</td><td>less than 5</td></tr><tr><td>1981-----</td><td>7</td></tr><tr><td>1982-----</td><td>8</td></tr><tr><td>1983-----</td><td>9</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1979-----	less than \$1	1980-----	less than 5	1981-----	7	1982-----	8	1983-----	9	
<i>Fiscal year</i>	<i>Millions</i>															
1979-----	less than \$1															
1980-----	less than 5															
1981-----	7															
1982-----	8															
1983-----	9															

Item	Present Law	House Bill	Senate Amendment	Conference Action												
107. Certain cost sharing payments (section 518 of the Senate amendment) (Floor amendment by Senator Culver, adopted by voice vote)	Unless otherwise excluded, gross income means all income from whatever source derived.	No provision.	<p>An exclusion from gross income would be provided for certain payments received under the following programs:</p> <p>(1) Rural clean water program (2) Rural abandoned mine program (3) Water bank program (4) Emergency conservation program (5) Agricultural conservation program (6) Great Plains conservation program (7) Resource conservation and development program (8) Forestry incentive program (9) Small watershed program (10) State programs where payments are made to individuals primarily for certain conservation or environmental purposes.</p> <p>The exclusion would apply to the extent that the Secretary of Agriculture determines that the payment is made primarily for conservation, etc., purposes and only to the extent the Secretary of the Treasury determines that the payment does not increase substantially the annual income of the recipient.</p> <p>Neither a current deduction, depreciation, amortization, depletion nor the investment credit may be claimed with respect to amounts excluded under this provision.</p> <p>The basis of any property acquired or improved with such payments would not reflect the amount of such payments.</p> <p>Ordinary income recapture is provided where the property or improvements purchased with such payments are disposed of before the expiration of 20 years. The amount recaptured is reduced 10 percent per year after the first ten years.</p> <p>Effective date.—Effective with respect to grants made under the programs after September 30, 1979.</p> <p>Revenue effect:</p> <table><tr><th><i>Fiscal year</i></th><th><i>Millions</i></th></tr><tr><td>1979</td><td>none</td></tr><tr><td>1980</td><td>\$28</td></tr><tr><td>1981</td><td>77</td></tr><tr><td>1982</td><td>78</td></tr><tr><td>1983</td><td>79</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1979	none	1980	\$28	1981	77	1982	78	1983	79	<p><i>h</i></p>
<i>Fiscal year</i>	<i>Millions</i>															
1979	none															
1980	\$28															
1981	77															
1982	78															
1983	79															

Item	Present Law	House Bill	Senate Amendment	Conference Action
108. Claim of right carryback (section 515 of the Senate amendment) (Floor amendment by Senator DeConcini, adopted by voice vote)	<p>If a taxpayer includes in income for a prior year an amount received or accrued under a "claim of right," and it subsequently is determined that no such "claim of right" existed, then a deduction is allowed for the amount restored to another.</p> <p>The tax benefit (i.e., reduction in current year taxes) that is attributable to this deduction is the greater of the tax reduction that would be realized by treating the item as a deduction in (1) the year it originally was included in income, or (2) the subsequent year in which it was discovered that the claim of right did not exist.</p> <p>If the greater tax benefit is realized by treating the item as a deduction in the prior year, it may result in a tax benefit greater than the entire tax liability otherwise due in the current year. If such is the case, the excess benefit is treated as an overpayment of tax and is refundable.</p> <p>Under present law, however, this refund may take anywhere from several months to several years to receive, since it is treated as an overpayment of tax for the current year and could be subject to audit along with the current year's return.</p>	No provision.	<p>The amendment would allow a taxpayer to apply for a "quick" refund of an overpayment of taxes in the current year, to the extent that the overpayment is attributable to the extra tax benefit realized by treating a "claim of right" deduction as an adjustment to income of a prior year.</p> <p>Effective date.—Applies to tentative refund claims filed after the date of enactment.</p> <p>Revenue effect.—Reduces budget receipts by less than \$5 million annually.</p>	


Item	Present Law	House Bill	Senate Amendment	Conference Action												
109. Revision of disability income exclusion for married taxpayers (section 108 of the Senate amendment) (Floor amendment by Senator Bumpers, adopted by voice vote)	<p>Under present law, a disability income exclusion generally is available to taxpayers who have not attained age 65 before the close of the taxable year and who have retired because of permanent and total disability. This exclusion is limited to \$100 per week (a maximum of \$5,200 a year). The amount of the exclusion is phased out on a dollar-for-dollar basis for taxpayers with adjusted gross incomes greater than \$15,000. Thus, a taxpayer with \$20,200 or more of adjusted gross income is not entitled to an exclusion.</p> <p>In order to claim this exclusion, a taxpayer who is married at the close of a taxable year must file a joint return with his or her spouse, unless they have lived apart at all times during that year.</p>	No provision.	<p>Eliminates the requirement under present law that married taxpayers claiming the disability income exclusion must file a joint return. Thus, if a married taxpayer filed a separate return, the phase-out of the exclusion for adjusted gross income over \$15,000 would be computed without regard to any income of the other spouse.</p> <p>Effective date.—Taxable years beginning after December 31, 1975. (The effective date of section 505 of the Tax Reform Act of 1976 was postponed by the Tax Reduction and Simplification Act of 1977 to taxable years beginning after December 31, 1976.)</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><th><i>Fiscal year</i></th><th><i>Millions</i></th></tr><tr><td>1979</td><td>\$26</td></tr><tr><td>1980</td><td>14</td></tr><tr><td>1981</td><td>15</td></tr><tr><td>1982</td><td>16</td></tr><tr><td>1983</td><td>17</td></tr></table> <p>(The revenue estimate assumes an effective date of December 31, 1976 because of the postponement of the effective date of section 505 of the Tax Reform Act of 1976 by the Tax Reduction and Simplification Act of 1977.)</p>	<i>Fiscal year</i>	<i>Millions</i>	1979	\$26	1980	14	1981	15	1982	16	1983	17	Not
<i>Fiscal year</i>	<i>Millions</i>															
1979	\$26															
1980	14															
1981	15															
1982	16															
1983	17															

Item	Present Law	House Bill	Senate Amendment	Conference Action																						
110. Conditional tax reductions based on limited Federal spending (section 109 of the Senate amendment) (Floor amendment by Senator Nunn, adopted by a vote of 65-20)	Individual income tax rate reductions are not linked directly to Federal spending.	No provision.	<p>Provides individual income tax reductions for 1980-1983 if total Federal outlays, as agreed to in the appropriate fiscal year budget resolution, do not exceed the following percentages of the projected gross national product:</p> <table><thead><tr><th><i>Fiscal year</i></th><th><i>Percent</i></th></tr></thead><tbody><tr><td>1980</td><td>21.0</td></tr><tr><td>1981</td><td>20.3</td></tr><tr><td>1982</td><td>19.6</td></tr><tr><td>1983</td><td>19.0</td></tr></tbody></table> <p>If total Federal outlays exceed total revenues, as specified in the Second Concurrent Budget Resolution for fiscal year 1982, the scheduled tax reductions would be suspended; if the increase in Federal outlays specified in the budget resolution for a fiscal year exceeds certain inflation adjusted levels, the scheduled income tax reductions would not take effect.</p> <p>Revenue effect.—This provision will not have any revenue effect if Federal outlays increase in excess of the required growth rate. In the event that the outlay reductions are achieved, this provision is estimated to reduce budget receipts by:</p> <table><thead><tr><th><i>Fiscal Year</i></th><th><i>Billion</i></th></tr></thead><tbody><tr><td>1979</td><td>---</td></tr><tr><td>1980</td><td>\$7</td></tr><tr><td>1981</td><td>24</td></tr><tr><td>1982</td><td>41</td></tr><tr><td>1983</td><td>64</td></tr></tbody></table>	<i>Fiscal year</i>	<i>Percent</i>	1980	21.0	1981	20.3	1982	19.6	1983	19.0	<i>Fiscal Year</i>	<i>Billion</i>	1979	---	1980	\$7	1981	24	1982	41	1983	64	Out
<i>Fiscal year</i>	<i>Percent</i>																									
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1983	64																									
111. Sense of the Senate regarding revenue loss for fiscal years after 1979 (section 801 of the Senate amendment) (Floor amendment by Senator Long, adopted by voice vote)	No provision.	No provision.	<p>Expresses the sense of the Senate that the conferees on the part of the Senate shall limit, to an extent that is practical and reasonable, the revenue loss for the fiscal years following 1979.</p>	0-0																						

Item	Present Law	House Bill	Senate Amendment	Conference Action
<p>112. Study by the Treasury on ways to simplify Federal individual income tax return forms and instructions (section 165(c) of the Senate amendment)</p> <p>(Senate Floor amendment by Senator Durkin, adopted by voice vote)</p>	<p>No provision.</p>	<p>No provision.</p>	<p>Provides for the establishment of a Treasury Department task force to study the simplification of individual income tax returns and related instructions. Graphic and communication experts would be used in this study.</p> <p>Interim reports would be made to the Secretary, and a final report with recommendations would be made to the Congress not later than 2 years after date of enactment.</p> <p>Effective date.—Effective upon date of enactment.</p> <p>Revenue effect.—No effect on budget receipts.</p>	
<p>*See also Item No. 30 (p. 28).</p> <p>113. Involuntary conversion of livestock (section 443 of the Senate amendment)</p> <p>(Floor amendment by Senator Griffin, adopted by voice vote)</p>	<p>Present law allows taxpayers to rollover gain realized on the involuntary conversion of certain property if property similar or related in service or use to the property converted is acquired by the taxpayer within the replacement period. For the rollover provision to apply the replacement property must be substantially identical to the property converted.</p>	<p>No provision.</p>	<p>Provides that proceeds from the involuntary conversion of livestock will qualify for rollover treatment if they are reinvested in property (including real property) which is to be used for farming purposes.</p> <p>Effective date.—Taxable years beginning after December 31, 1974.</p> <p>Revenue effect.—Reduces budget receipts by less than \$5 million annually.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action								
114. Tax credit for 1976 minimum tax on intangible drilling costs (section 522 of the Senate amendment) (Floor amendment by Senator Bellmon, adopted by voice vote)	<p>The 1976 Tax Reform Act made certain excess intangible drilling costs an item of preference subject to the minimum tax for individuals. The 1977 Tax Reduction and Simplification Act modified the formulation of the tax preference for 1977 so that it would apply only to the extent that excess intangible drilling costs exceeded oil income. This modification would be continued under both the House and the Senate versions of the energy tax act, and also is contained in the Senate amendment.</p> <p>No provision was made for a deduction or credit with respect to 1976 minimum tax paid on intangible drilling costs.</p>	No provision.	<p>Provides a tax credit for individuals whose regular tax, increased by their 1976 minimum tax on intangible drilling costs, exceeded their taxable income. The credit generally would be equal to the 1976 minimum tax on intangible drilling costs. However, no credit would be available unless the taxpayer's intangible drilling costs for the year in question are at least equal to 110 percent of his or her 1976 intangible drilling costs.</p> <p>Effective date.—Taxable years beginning after December 31, 1977, and before January 1, 1982.</p> <p>Revenue effect.—Reduces budget receipts by:</p> <table><tr><td><i>Fiscal year</i></td><td><i>Millions</i></td></tr><tr><td>1979 -----</td><td>\$15</td></tr><tr><td>1980 -----</td><td>5</td></tr><tr><td>1981 -----</td><td>3</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1979 -----	\$15	1980 -----	5	1981 -----	3	Out
<i>Fiscal year</i>	<i>Millions</i>											
1979 -----	\$15											
1980 -----	5											
1981 -----	3											
115. Minimum tax on a five-year amortization of low-income housing (section 386 of the Senate amendment) (Floor amendment by Senator Javits adopted by voice vote)	<p>Under special depreciation rules for certain low-income rental property, taxpayers can elect to compute depreciation on eligible rehabilitation expenditures under a straight-line method over a period of 60 months.</p> <p>For purposes of the minimum tax, excess depreciation on real property is an item of tax preference. Excess depreciation generally is that amount by which the deduction allowable for the taxable year exceeds the depreciation deduction which would have been allowable for that year had the taxpayer depreciated the property under the straight-line method for each taxable year of its useful life. The amount of any excess depreciation is determined without regard to the special election allowed for low-income rental property.</p>	No provision.	<p>Provides that in a case of election to depreciate certain low-income rental housing under a special depreciation rule, the amount treated as an item of tax preference shall not exceed the amount which would have been depreciated as an item of tax preference if the taxpayer had claimed as a depreciation deduction an allowance computed under the declining balance method using a rate not in excess of twice the rate which would have been used had the allowance been computed under the straight-line method.</p> <p>Effective date.—Taxable years ending after December 31, 1978.</p> <p>Revenue effect.—Reduce budget receipts by less than \$5 million each fiscal year, 1979-1983.</p>	42								

Item	Present Law	House Bill	Senate Amendment	Conference Action
<p>116. Individual Retirement Accounts technical corrections (section of the Senate amendment)</p> <p>(Floor amendment by Senator Bent- sen, adopted by voice vote)</p>	<p>(a) IRA contribution must be made within 45 days from the close of the taxable year.</p> <p>(b) No deduction where excess contribution is corrected by contributing less than the deductible amount for a later year.</p> <p>(c) Up to \$1,750 of excess contributions may be corrected by withdrawing the excess contribution by the due date for filing the tax return. Otherwise, the withdrawn amount is includible in income and may be subject to penalty taxes.</p> <p>(d) IRA contribution may be made to fixed premium insurance contract.</p> <p>(e) In order to have a valid rollover, property received by a plan participant must be rolled over in kind.</p> <p>(f) Spouse of a plan participant is not permitted to rollover plan distribution into an IRA.</p> <p>(g) Individual must be a plan participant for at least five years to make a rollover. Rollovers between IRAs are permitted only once every three years.</p>	<p>No provision. (However, the Senate amendment is essentially the same as H.R. 13619, which was reported from the Ways and Means Committee by unanimous consent on September 27, 1978.)</p>	<p>(a) Would extend the deadline for making contributions to the due date for filing tax returns.</p> <p>(b) Deduction would be permitted. Also, make-up deduction would be permitted for corrections made in taxable years beginning after December 31, 1975.</p> <p>(c) Excess contributions not in excess of \$1,750 per year could be corrected (without penalty) by withdrawing the excess at anytime. Excess rollover contributions could also be corrected (without regard to dollar limitations) if excess contribution was due to reasonable cause. (Applies to withdrawals in taxable years beginning after December 31, 1975.)</p> <p>(d) Fixed premium contracts issued after date of enactment would not be a permissible funding medium.</p> <p>(e) Rollovers of the proceeds from the sale of property received by a plan participant would be permitted.</p> <p>(f) Spousal rollovers would be permitted.</p> <p>(g) Five-year participation requirement would be removed and rollovers between IRAs would be permitted once a year for taxable years beginning after December 31, 1977.</p>	<p><i>Am</i></p>

Item	Present Law	House Bill	Senate Amendment	Conference Action
	<p>(h) Five-percent penalty tax is imposed on excess accumulations in an IRA account after participant reaches age 70½.</p> <p>(i) Up to \$1,750 of excess contributions can be corrected by withdrawing the excess (and earnings thereon) by the due date for filing the tax return for the year in question.</p> <p>(j) Separate return is required for IRAs.</p>		<p>(h) Service could waive penalty where excess accumulation due to reasonable cause and reasonable steps are taken to correct the excess. (Applies to accumulations in taxable years beginning after December 31, 1975.)</p> <p>(i) The \$1,750 limitation would be removed for taxable years beginning after December 31, 1977.</p> <p>(j) No separate return would be required unless there were a rollover contribution to an IRA, or the IRA was subject to penalty taxes for taxable years beginning after December 31, 1977.</p> <p>Effective dates.—Generally, applies to taxable years beginning after December 31, 1978 (except as noted above).</p> <p>Revenue effect.—Negligible effect on budget receipts for fiscal year 1979; reduces receipts by \$37 million for fiscal year 1980, and by \$12 million annually thereafter.</p>	
117. Disclosure of tax return information (section 520 of the Senate amendment)	The 1976 Tax Reform Act included detailed provisions limiting the circumstances under which tax return information can be made available to government agencies outside the Internal Revenue Service.	No provision.	<p>The bill adds three technical changes which clarify the extent to which the Justice Department may obtain tax information from the Internal Revenue Service for use in presenting tax cases.</p>	

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a. Permanent extension and simplification.....		36. Increase in limitation tax liability to 90-percent of tax liability.....	
b. Increase in credit.....		37. Increased credit for pollution control facilities.....	
c. Advance payment.....		38. Investment credit for rehabilitation expenditures for certain existing structures.....	
d. Treatment of earned income credit for purposes of Federal benefit programs.....		39. Investment tax credit for single purpose agricultural structures.....	
B. Itemized Deductions and Individual Tax Credits.....		40. Investment tax credit for cooperatives.....	
6. Repeal of deduction for State and local nonbusiness gasoline and other motor fuel taxes.....		41. Investment tax credit for working and breeding horses.....	
7. Revision of deduction for medical, dental, etc., expenses.....		42. Additional carryover year for expiring investment tax credits.....	
8. Political contributions.....		43. Investment credit limitation for manufacturer- lessors of railroad property.....	
9. Increase in the tax credit for the elderly.....		44. Investment credit recapture under ConRail reorganization.....	
10. Credit for child care services.....		C. Jobs Tax Credit and WIN Tax Credit.....	
11. Tuition tax credit.....		45. Targeted jobs tax credit.....	
C. Deferred Compensation Plans.....		46. WIN-welfare recipient tax credit.....	
12. State and local government deferred compensation plans.....		47. Extension of general jobs tax credit.....	
13. Private nonqualified plans.....		D. Industrial Development Bond Provisions.....	
14. Payments to independent contractors.....		48. Small issues exception to industrial development bond tax treatment.....	
15. Tax treatment of "cafeteria plans".....		49. Advance refunding of industrial development bonds for certain qualified public projects.....	
16. Tax treatment of cash or deferred profit-sharing plans.....		50. Advance refunding of certain other industrial development bonds.....	
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17. a. Provisions relating to TRASOPs.....		52. Income tax exemption for bonds for facilities for furnishing electric energy.....	
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c. Provisions relating to all tax qualified plans.....		53. Declaratory judgment relating to the status of State and local government obligations.....	
E. Retirement Plan Provisions.....		54. Treatment of certain arbitrage profits from advance refunding of State and local government obligations.....	
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20. Defined benefit plan limits.....		56. Permitted shareholders of subchapter S corporation.....	
21. Custodial accounts for regulated investment companies.....		57. Time for making subchapter S elections.....	
22. Pension plan reserves.....		58. "Simple" trusts permitted as subchapter S shareholders.....	
23. Rollover of distributions from a tax-sheltered annuity.....		59. Small business corporation stock.....	
F. Unemployment Compensation.....		G. Farm Accounting Rules.....	
24. Taxation of unemployment compensation.....		60. Accrual accounting for farming corporations.....	
G. Other Individual Income Tax Provisions.....		61. Accounting for costs of growing crops.....	
25. Uniformed Services Health Professions Scholarship programs.....		H. Depreciation Provisions.....	
26. National Research Service Awards.....		62. Depreciation for small business.....	
27. Cancellation of certain student loans.....		63. Treasury study of tax treatment of certain Government-mandated equipment.....	
28. Employer educational assistance programs.....			
29. Tax counseling for the elderly.....			
30. Study by the Treasury Department of simplifying the filing of Federal income tax returns.....			
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31. Modifications of at risk provisions.....			
32. Partnership provisions.....			
a. Penalty for failure to file return.....			
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64. Extension of five-year amortization for low-income rental housing.....

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65. Entertainment facility expenses.....
66. Deficiency dividend procedure for regulated investment companies.....
67. Safe harbor rule for real estate investment trusts.....
68. Contributions in aid of construction.....
69. Treatment of certain liabilities on incorporation of a trade or business.....
70. Medical reimbursement plan.....
71. Postponement of effective date for special limitations on net loss carryovers.....
72. Redemptions of United States Railway certificates of value.....
73. Source of income from rental of railroad rolling stock.....

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74. Capital gains deductions for individuals.....
75. Alternative tax for capital gains of individuals.....
76. Corporate alternative capital gains tax.....
77. Indexing of capital assets for purposes of gain on sale.....
78. Exclusion of gain on residential sales.....
79. Rollover of gain on residential sales.....
80. Capital gains study.....

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81. a. Minimum tax for individuals.....
81. b. Corporate minimum tax.....
B. Maximum tax provisions.....
82. a. Limitation on personal service income.....
82. b. Tax preference offset.....

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83. Employment status of independent contractors and employees.....
84. Employer reporting requirements with respect to charged tips.....
85. Deferral of carryover basis rules.....
86. Jointly-owned farms and closely held businesses.....
87. Source of interest income on deposits in Puerto Rico branches of U.S. savings and loan associations.....
88. Reduction in excise tax on investment income of private foundations.....
89. State tax credit against Federal slot machine tax.....
90. Study of taxation of foreign owners of U.S. real estate.....
91. Excessive government spending surtax.....
92. Charitable split interest trusts.....
93. Attribution rules for extension of time to pay estate tax.....
94. Exemption from private foundation tax for failure to distribute income.....
95. Small tax case procedures before the Tax Court.....
96. Tax treatment of cooperative housing corporations.....
97. Tax exemption for certain mutual deposit guaranty organizations.....
98. Accounting treatment of magazines, etc., returned after the close of the accounting year.....
99. Accounting treatment for discount coupons redeemed after the close of the taxable year.....

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100. Exemption from highway use tax for certain farm and soil and water conservation trucks.....
101. Taxation of foreign investors on sale of certain U.S. real estate.....
102. Alaskan Native Claims Settlement Act Corporations.....
103. Technical corrections to the Tax Reform Act of 1976.....
104. Industrial development bonds for Urban Development Action Grant (UDAG) facilities.....
105. Subordination of special liens for additional estate tax attributable to special valuation property.....
106. 10-year carryback of product liability net operating losses.....
107. Certain cost sharing payments.....
108. Claim of right carryback.....
109. Revision of disability income exclusion for married taxpayers.....
110. Conditional tax reductions based on limited Federal spending.....
111. Sense of the Senate regarding revenue loss for fiscal years after 1979.....
112. Study by the Treasury on ways to simplify Federal individual income tax return forms and instructions.....
113. Involuntary conversion of livestock.....
114. Tax credit for 1976 minimum tax on intangible drilling costs.....
115. Minimum tax on 5-year amortization of low-income housing.....
116. Individual Retirement Accounts technical corrections.....
117. Disclosure of tax return information.....

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118. Federal Title XX social services programs.....
a. Ceiling on Federal Title XX funds.....
b. Multi-year program planning.....
c. Program years used by States.....
119. AFDC management information system.....
120. Amendments to AFDC employment requirements under WIN program.....
a. Employment search requirement.....
b. Termination of assistance.....
c. Support units.....
d. State matching funds.....
e. Treatment of public service employment earnings.....
f. Individuals exempt from WIN.....
121. Incentive for AFDC recipients to report earnings.....
122. Matching for child support costs of court personnel.....
123. Increase in Federal funding for territorial assistance programs.....
124. Northern Mariana Islands provisions.....
125. Foster care, adoption assistance and child welfare services.....
a. Ceiling on Federal AFDC foster care funds.....
b. Foster care provided in institutions.....
c. Voluntarily placed foster children.....
d. Adoption assistance.....
e. Federal funds for child welfare services.....
f. Foster care protections.....
126. AFDC earned income disregard.....

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Appendix: Comparison of Revenue Effects of Tax Provisions of the House and Senate Versions of H.R. 13511.....

	Item	JCS	House Sec.	Fin. Comm. Sec.	Senate Sec.	Conf. Comp.	Act Sec.
	TITLE I--PROVISIONS PRIMARILY AFFECTING INDIVIDUAL INCOME TAX						
	Subtitle A--Tax Reductions and Extensions						
101	Widening of brackets; rate cuts in certain brackets; increase in zero bracket amounts	Mike B., Jim W.	101	101	101	1+4	101
102	Personal exemptions increased to \$1,000	Mike B., Jim W.	102	102	102	2+4	102
103	Earned income credit made permanent	Randy, Paul, Floyd	103	103	103	5	103
104	Increase in and simplification of the earned income credit	Randy, Paul, Floyd	104	104	104	5	104
105	Advance payment of earned income credit	Randy, Paul, Floyd	-	105	105	5	105
106	Application of certain changes in the case of fiscal year taxpayers	Mike B., Jim W.	-	106	106	-	106
-	Additional personal exemptions for disabled taxpayer or spouse	Mike B., Jim W.	-	107	107	3	-
-	Changes in treatment of certain disability income	Howie W.	-	Bumpers	108	109	-
-	Additional reductions in rates	Mike B., Jim W.	-	-	109	-	-
	Subtitle B--Itemized Deductions						
111	Repeal of nonbusiness education for State and local taxes on gasoline and other motor fuels	Dick R., Leon	111	111	111	6	111
112	Unemployment compensation	Floyd, Howie W.	114	-	-	24	112
-	Repeal of deduction for political contributions		113	-	-	8	-
-	Revision of deduction for medical, dental, etc., expenses	Floyd, Leon	112	-	-	7	-
	Subtitle C--Credits						
121	Payments to related individual under child care credit	Michelle	-	Dole	167	10	121
-	Increase in amount of credit for political contributions	Tom G., Leon	113	121	121	8	-
-	Credit for the elderly	Mike B., Randy	-	122	122	9	-
	Subtitle D--Deferred Compensation						
	Part I--Deferred Compensation Provisions						
131	Deferred compensation plans with respect to service for State and local governments	Keith, Don, Bill L	121	131	131	12	131
132	Certain private deferred compensation plans	Keith, Don, Bill L.	122	132	132	13	132



	Item	JCS	House Sec.	Fin. Comm. Sec.	Senate Sec.	Conf. Comp.	Act Sec.
133	Clarification of deductibility of payments of deferred compensation, etc., to independent contractors						
134	Tax treatment of cafeteria plans		123	133	133	14	133
135	Cash or deferred arrangements		124	134	134	15	134
	Part 2--Employee Stock Ownership Plans		125	135	135	16	135
141	ESOPs						
142	Certain lump sum distributions excluded from gross estate where recipient elects not to apply 10-year averaging		-	141	141	17	141
143	Qualified plans required to pass through voting rights for employer securities		-		142		142
-	Rollover of ESOP into IRA		-		143		143
-	Elimination of minimum tax on employee stock ownership plan contributions		-		144		-
	Effective date		-		145		-
	Subtitle E--Retirement Plans						
-	Retirement savings deduction for certain persons covered by pension plans		-	151	151	18	-
152	Simplified employer pensions		-	152	152	19	152
153	Defined benefit pension plan limits		-	153	153	20	153
154	Custodial accounts for regulated investment company stock		-	154	154	21	154
155	Pension plan reserves		-	155	155	22	155
156	Rollover of section 403(b) annuities permitted		-	Moynihan	136	23	156
157	Individual retirement account technical changes		-	Bentsen	156	116	157
	Subtitle F--Other Individual Items						
161	Certain government scholarship and award programs		-	161	161	25	161
162	Cancellation of student loans		-	162	162	27	162
163	Tax counseling for the elderly		-	164	164	29	163
-	Tuition tax credit		-	Packwood	513	11	-



	Item	JCS	House Sec.	Fin. Comm. Sec.	Senate Sec.	Conf. Comp.	Act Sec.
	TITLE II--TAX SHELTER PROVISIONS						
	Subtitle A--Provisions Related to At Risk Rules						
201	Extension of section 465 at risk rules to all activities other than real estate	Al G., Mike O.	201	-	-	31	201
202	Extension of at risk provisions to closely held corporations	Al G., Mike O.	202	-	-	31	202
203	Recapture of losses where amount at risk is less than zero	Al G., Mike O.	203	-	-	31	203
204	Effective dates	Al G., Mike O.	204	-	-	31	204
	Subtitle B--Partnership Provisions						
211	Penalty for failure to file partnership return	Gerry, Harold	211	201	201	32	211
212	Extension of statute of limitations in the case of partnership items	Gerry, Harold	212	201	201	32	212
	TITLE III--PROVISIONS PRIMARILY AFFECTING BUSINESS INCOME TAX						
	Subtitle A--Corporate Rate Reductions						
301	Corporate rate reductions	Al B., Jim W., Don	301	301	301 302 380	34	301
	Subtitle B--Investment Tax Credit Amendments						
311	10-percent investment tax credit and \$100,000 limitation on used property made permanent	Carl, Don, Keith	311	311	311	35	311
312	Increase in limitation on investment credit to 90% of tax liability	Carl	312	312	312	36	312
313	Investment credit for pollution control facilities	Carl	313	313	313	37	313
314	Investment credit for certain single purpose agricultural or horticultural structures	Carl	-	314	314	39	314
315	Investment credit allowed for certain rehabilitated buildings	Carl	314(a)	320	320	38	315
316	Investment credit for agricultural cooperatives	Carl	-	315	315	40	316
317	Transfers to ConRail not treated as disposition for purposes of the investment tax credit	Carl	-	319	319	44	317
-	Investment credit for working and breeding horses	Carl	-	316	316	41	-
-	Additional carryover year for unused credit expiring in 1977	Carl	-	317	317	42	-
-	Investment credit for lessors of railroad equipment	Carl	-	318	318	43	-

	Item	JCS	House Sec.	Fin. Comm. Sec.	Senate Sec.	Conf. Comp.	Act Sec.
	Subtitle C--Targeted Jobs Credit; WIN Credit						
321	Targeted jobs credit	Randy, Paul, Floyd	315	321	321	45	321
322	Work incentive Program credit changes	Randy, Paul, Floyd	314(b)	322	322	46	322
-	Jobs credit extension	Randy, Paul, Floyd	-	Haskell	323	47	-
	Subtitle D--Tax-exempt Bonds						
	Part 1--Industrial Development Bonds						
331	Increase in limit on small issues of industrial development bonds	Errol, Mel, Greg	321	331	331	48	331
331	Industrial development bonds for UDAG	Errol, Mel, Greg	-	Bayh	339	104	331
332	Local furnishing of electric energy	Errol, Mel, Greg	-	Moynihan	338	52	332
333	Industrial development bonds for water facilities	Errol, Mel, Greg	-	334	334	51	331
334	Development bonds for certain industrial public projects	Errol, Mel, Greg	-	332	332	49	334
-	Advance refunding of certain other industrial development bonds	Errol, Mel, Greg	-	333	333	50	-
	Part 2--Other Tax-exempt Bond Provisions						
-	Individual bond option credit	Errol, Mel, Greg, Jim W	-	336	-	-	-
336	Declaratory judgment procedure for judicial review of determinations relating to government obligations	Errol, Mel, Greg	-	337	337	53	336
337	Disposition of amounts generated by advance refunding of certain governmental obligations	Errol, Mel, Greg	-	338	338	54	337
	Subtitle E--Small Business Provisions						
	Part 1--Provisions Relating to Subchapter S						
341	Subchapter S corporations allowed 15 shareholders	Harold, Mike O., Errol	331	341	341	55	341
342	Permitted shareholders of Subchapter S corporations	Harold, Mike O., Errol	332	342	342	56	342
343	Extension of period for making subchapter S elections	Harold, Errol, Mike O.	333	344	344	57	343
344	Effective date	Harold, Mike O., Errol	334	345	345	-	344
-	Certain simple trusts permitted as shareholders	Harold, Mel	-	343	343	58	-

	Item	JCS	House Sec.	Fin. Comm. Sec.	Senate Sec.	Conf. Comp.	Act Sec.
	Part 2--Other Provisions						
345	Small business corporation stock						
-	Special depreciation rules for small business						
	<u>Subtitle F--Accounting Provisions</u>						
351	Treatment of certain closely held farm corporations for purposes of rule requiring accrual accounting	Al R.	335	346	346	59	345
		Al G., Al R., Don	336	Nelson	361	62	
352	Accounting for growing crops	Al G.	341	351	351	60	351
				(a)(2)	(a)(2)		
353	Treatment of certain farms for purposes of rule requiring accrual accounting	Al G.	342	352	352	61	352
		Al G.	-	351	351	60	353
				(a)(1)	(a)(1)		
	<u>Subtitle G--Other Business Provisions</u>						
361	Disallowance of certain deductions for certain yachts, hunting lodges, etc.	Don, Tom G., Harold	-	371	371	65	361
362	Deficiency dividend procedures for regulated investment companies	Mel	H.R. 6877	372	372	66	362
363	Real estate investment trust provisions	Mel	H.R.	373	373	67	363
364	Contributions in aid of construction	Mel, Sandy	H.R.	374	374	68	364
365	Liabilities of controlled corporations	Greg, Errol	-	375	375	69	365
366	Medical expense reimbursement plans	Bill L., Keith	-	376	376	70	366
367	Three-year extension of provision for 60-month depreciation of expenditures to rehabilitate low-income rental housing	Harold, Don	322	377	377	64	367
368	Delay in application of new net operating loss rules	Errol, Dick B., Don H.R. 9251	378	378	71	368	
369	Use of certain expired net operating loss carryovers			379			
370	Income from certain railroad rolling stock treated as income from sources within the United States	Carl	-	Percy	381	73	370
371	Net operating losses attributable to product liability losses	Gerry	-	Culver	382	106	371
372	Exclusion from gross income with respect to magazines, paperbacks, and records returned after close of the taxable year	Gerry	H.R. 3050	Matsunaga	384	98	372
373	Qualified discount coupons redeemed after close of taxable year	Gerry	H.R. 13047	Matsunaga	383	99	373

	Item	JCS	House Sec.	Fin. Comm. Sec.	Senate Sec.	Conf. Comp.	Act Sec.
	TITLE IV--CAPITAL GAINS; MINIMUM TAX; MAXIMUM TAX						
	Subtitle A--Capital Gains						
401	Repeal of alternative tax on capital gains on individual	Tom G., Jim W., Paul	401	401	401	75	401
402	Increased capital gain deduction for individuals	Tom G., Jim W., Paul	-	402	402	74	402
403	Reduction of alternative capital gains tax for corporations	Tom G., Jim W., Paul	-	403	403	76	403
404	One-time exclusion of gain from sale of principal residence of individual who has attained age 55	Tom G., Don, Al R.	405	404	404	78	404
405	Waiver of certain 18-month rules of section 1034 when sale of residence is connected with commencing work at new place	Tom G., Don	406	405	405	79	405
-	Indexing of capital assets for purposes of gain on sale	Paul, Jim W., Mel	404	-	-	77	-
	Subtitle B--Minimum Tax Provisions						
421	Alternative minimum tax for taxpayers other than corporations	Tom G., Jim W., Paul	403	421	421	81a 81b	421
422	Treatment of intangible drilling cost for purposes of the minimum tax	Paul, Tom G., Bob W.	-	422	422	81a	-
-	Tax credit for 1976 minimum tax	-	-	Bellman	522	114	-
-	Minimum tax on 5-year amortization of low income housing	Don	-	Javits	386	115	-
	Subtitle C--Maximum Tax Provisions						
441	Treatment of capital gains for purposes of maximum tax	Tom G., Jim W., Paul	402	441	441	82b	441
442	Determination of personal service income from nonsalaried trade or business activities	-	-	442	442	82a	442
	TITLE V--OTHER TAX PROVISIONS						
	Subtitle A--Administrative Provisions						
501	Reporting requirements with respect to charged tips	Dick R., Jim B., Leon	-	502	502	84	501
502	Extension of optional small tax case procedures and expansion of authority of commissioners of Tax Court	Greg	-	Clark	517	95	502
503	Disclosure of return information to certain Federal officers and employees for purposes of tax administration, etc.	Mike O.	-	520	520	117	503
504	Refund adjustments for amounts held under claim of right	Gerry	-	DeConcini	515	108	504

	Item	JCS	House			Fin. Comm.			Senate			Conf. Comp.			Act Sec.		
			Sec.			Sec.			Sec.			Comp.			Sec.		
	Subtitle B--Estate and Gift Tax Provisions																
511	Reduction of value taken into account for estate tax purposes where spouse of decedent materially participated in farm or other business	Don, Harold, Mel	-			503		503	86		511						
512	Treatment of certain interests held by decedent's family for purposes of the extension of time for payment of estate tax provided by section 6166	Harold, Don	-					Cranston 166	93		512						
513	Subordination of special liens for additional estate tax attributable to farm, etc., valuation	Harold	-					Clark 512	105		513						
514	Amendment of governing instruments to meet requirements for gifts of split interest to charity	Mel	-					Bumpers 516	92								
515	Deferral of carryover basis rules	Don, Harold, Mel	-					503 503	85		515						
	Subtitle C--Other Excise Tax Provisions																
520	Reduction in administration tax on private foundations	Dick R., Al G.	-			506		506	88		520						
521	Excise tax on certain gaming devices	Sandy, Leon, Dick R.	-			507		507	89		521						
522	Treatment of certain private foundations for purposes of sec. 4942	Mel	-			Bartlett 510		510	99		522						
-	Farm and soil and water conservation trucks		-			McGovern 511		511	100		-						
	Subtitle D--Income Tax Provisions																
530	Controversies involving whether individuals are employees for purposes of the employment taxes	Michelle, Floyd	-			501		501	83		53-						
531	Certain original stockholders of cooperative housing corporations	Al G.	-			Moynihan 519		519	96		531						
-	Tax exemption for mutual deposit guaranteed organizations	Al G.	-			Morgan 387		387	97		-						
	Subtitle E--Other Income Tax Provisions																
540	Deposits in certain branches of Puerto Rican savings and loan associations	Dave, Howie	-			505		505	87		540						
541	Taxation of Alaska Native Claims Settlement Act corporations	Howie	-			Gravel 521		521	102		541						
542	Replacement of livestock with other farm property where there has been environmental contamination	Al G., Tom G.	-			Griffin 443		443	113								
543	Certain payments not included in gross income	Al G.	-			Culver 518		518	107		543						
-	Foreign sale of U.S. real estate	Howie	-			505 505		505	87		540*						

	Item	JCS	House Sec.	Fin. Comm. Sec.	Senate Sec.	Conf. Comp.	Act Sec.
	<u>Subtitle F--Studies</u>						
551	Study of simplification of tax returns	Mike B., Floyd	-	Durham	165	130 112	551
552	Study of tax incentives for expenditures required by Occupational Safety and Health Administration	Mike B., Floyd	-	362	362	63	552
553	Study of taxation of nonresident alien real estate transactions in the United States	Dave, Howie	-	501	501	83	553
554	Report on effectiveness of jobs credit						
555	Study of effects of changes in the tax treatment of capital gains on stimulating investment and economic growth	Tom G., Jim W., Paul	407	-	-	80	555
	<u>TITLE VI--GENERAL STOCK OWNERSHIP CORPORATIONS</u>						
601	Establishment and taxation of general stock ownership corporations and their shareholders	Errol, Sandy	-	201	201	33	601
	<u>TITLE VII--TECHNICAL CORRECTIONS OF THE TAX REFORM ACT OF 1976</u>						
701	Technical amendments to income tax provisions and administrative provisions	Paul, Don	H.R. 6715	Hathaway	703	103	701
702	Technical, clerical, and conforming amendment to estate and gift tax provisions	Don, Harold, Mel	H.R. 6715	Hathaway	703	103	702
703	Corrections of punctuation, spelling, incorrect cross refs, etc.	Paul, Harold	H.R. 6715	Hathaway	703	103	703
	<u>TITLE VIII--AMENDMENTS RELATING TO SOCIAL SECURITY ACT</u>					118-	
801	Grants to States for social services						
802	Change in public assistance matching formula, and increase in amount of public assistance dollar limitations, for Puerto Rico, the Virgin Islands, and Guam in fiscal year 1979.					126	
	<u>Other Items</u>						
-	Income tax provisions relating to government spending	Mike Bird	-	509	509	91	-
3	Excessive government spending surtax	Mike Bird	-	Nunn	109	110	3
-	Policy with respect to additional tax reductions: Nunn Amendment	Mike Bird	-	Long	401	111	-
-	Sense of Senate regarding revenue loss for fiscal years after 79						

PROVISIONS RELATING TO SOCIAL SECURITY ACT PROGRAMS
(TITLE VI OF THE SENATE AMENDMENT)

VIII. PROVISIONS RELATING TO SOCIAL SECURITY ACT PROGRAMS

Item	Present Law	House Bill	Senate Amendment	Conference Action						
118. Federal Title XX Social Services Program (section 601 of the Senate amendment)										
a. Ceiling on Federal Title XX funds	<p>There is a permanent annual ceiling of \$2.5 billion on Federal matching funds for State Title XX Social Services programs.</p> <p>Under a temporary provision, an additional \$200 million earmarked for child care services has been available for fiscal years 1977 and 1978.</p> <p>States are required to develop annual plans for their services programs.</p> <p>States must use either the Federal or State fiscal year as their program year.</p>	<p>No provision. (However, another House bill, H.R. 12973, provides an increase in the ceiling to \$2.9 billion for fiscal year 1979, \$3.15 billion for 1980, and \$3.45 billion for 1981 and years thereafter, \$200 million is earmarked for child care in 1979.)</p> <p>No provision. (However, H.R. 12973 would allow States to develop plans for 1 or 2 years.)</p> <p>No provision.</p> <p>Budget effect.—Same as the Senate amendment for fiscal year 1979, with additional outlays increases in subsequent years of the following amounts:</p> <table><tr><td><i>Fiscal year</i></td><td><i>Millions</i></td></tr><tr><td>1980 -----</td><td>\$179</td></tr><tr><td>1981 -----</td><td>279</td></tr></table>	<i>Fiscal year</i>	<i>Millions</i>	1980 -----	\$179	1981 -----	279	<p>Increases the permanent ceiling on Federal matching to \$2.9 billion beginning with fiscal year 1979, with \$200 million earmarked for child care in fiscal year 1979.</p> <p>(Provision for an increase in the ceiling for years beyond 1979 was added by floor amendment by Senator Morgan, adopted by voice vote)</p> <p>Allows States to have a 1, 2, or 3 year plan.</p> <p>Allows States to use the county fiscal year.</p> <p>Budget effect.—CBO estimates increased outlays of \$356 million in fiscal year 1979.</p>	
<i>Fiscal year</i>	<i>Millions</i>									
1980 -----	\$179									
1981 -----	279									
b. Multi-year program planning										
c. Program year used by States										

Item	Present Law	House Bill	Senate Amendment	Conference Action
119. AFDC management information system (section 602 of the Senate amendment)	States receive 50-percent Federal matching for costs of administering their AFDC programs; there is no special funding for computer systems.	No provision.	<p>Provides 90-percent Federal matching to States for the costs of developing and implementing computerized AFDC management information systems and 75 percent for the cost of their operation. HEW would be required to approve State systems as a condition of Federal matching (both initially and on a continuing basis). A State system would have to include certain specified characteristics, including ability to provide data on AFDC eligibility factors, capacity for verification of factors with other agencies, capability for notifying child support, food stamp, social services and Medicaid programs of changes in ACDA eligibility, and benefit amount, compatibility with systems in other jurisdictions, and security against unauthorized access to or use of data in the system. HEW would be required to provide technical assistance to the States on a continuing basis.</p> <p>Effective date.—Increased matching would be payable for quarters beginning January 1, 1979.</p> <p>Budget.—The provision is estimated by CBO to result in costs of \$9 million in fiscal year 1979, \$49.1 million in fiscal year 1980, \$29.2 million in fiscal year 1981, and savings of \$6.2 million in each of fiscal years 1982 and 1983.</p> <p>The Finance Committee report estimates that these provisions will have costs of \$7 million in fiscal year 1979, \$7 million in fiscal year 1978, and \$8 million in each of the fiscal years 1981–1983.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
120. Amendments to AFDC employment requirements under WIN program (section 603 of the Senate amendment)				
<i>a. Employment search requirement</i>	AFDC recipients who are not specifically exempt are required to register for manpower services, training and employment as a condition of AFDC eligibility.	No provision.	Adds "other employment related activities" to the types of activities for which recipients must register. These are described in the Senate Committee Report as including employment search. Requires that necessary social and supportive services be provided during employment search.	
<i>b. Termination of assistance</i>	Assistance is to be terminated for so long as an individual (who has been certified by the welfare agency as ready for employment or training) refuses without good cause to participate in WIN. There is a 60-day counseling period during which assistance may not be terminated despite an individual's refusal to participate in WIN so long as the individual accepts counseling and other services aimed at persuading the individual to participate in a WIN program.		Eliminates provision for 60-day counseling period. Authorizes the Secretaries of Labor and HEW to establish, by regulation, the period of time during which an individual will not be eligible for assistance in the case of refusal without good cause to participate in a WIN program.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
120. Amendments to AFDC employment requirements under WIN program (continued)				
c. <i>Support units</i>	States must have special units to provide supportive services to WIN registrants.		Requires that these special units be co-located with the manpower units to the maximum extent feasible.	
d. <i>State matching funds</i>	States must provide 10 percent of the cost of the WIN program; matching for manpower activities may be in cash or in kind; matching for supportive services must be in cash.		Allows State matching for supportive services to be in cash or in kind.	
e. <i>Treatment of public service employment earnings</i>	An error in drafting the 1972 WIN amendments makes it unclear whether income from public service employment is excluded in determining AFDC benefits.		Clarifies that income from public service employment is not excluded in determining benefits.	
f. <i>Individuals exempt from WIN</i>	Certain categories of AFDC recipients are exempted from the WIN registration requirement, including children under 16; persons caring for a child under 6; persons who are ill or needed as caretaker of someone in the home who is ill; or persons who are remote from a WIN project.		Adds to the individuals who are exempted from registration for WIN, individuals who are working at least 30 hours a week. Effective date. —January 1, 1979. Budget effect. —Assuming March 1, 1979 implementation, CBO estimates the cost of the provision at \$45 million in fiscal year 1979, \$81.4 million in fiscal year 1980, \$86.2 million in fiscal year 1981, \$91.4 million in fiscal year 1982, and \$96.6 million in fiscal year 1983. Finance Committee estimates show net savings of \$43 million in fiscal year 1979; \$55 million in fiscal year 1980; \$60 million fiscal year 1981; \$65 million in fiscal year 1982; and \$70 million in fiscal year 1983.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
121. Incentive for AFDC recipients to report earnings (section 604 of the Senate amendment)	<p>AFDC recipients are required to report earnings to the welfare agency. There is provision for disregarding portions of earned income in determining eligibility for and amount of the AFDC payment.</p> <p>When unreported earnings resulting in overpayments are discovered, the earned income disregards are applied to the unreported earnings in calculating the amount of the overpayment.</p>	No provision.	<p>Provides that, if a recipient fails without good cause to make a timely report of earnings, the recipient would not have the benefit of having the earned income disregards applied to such unreported earnings.</p> <p>Effective date.—January 1, 1979.</p> <p>Budget effect.—The provision is estimated by CBO to result in savings of \$16 million in fiscal year 1979 (with allowance for start-up delay), increasing to \$26 million in fiscal year 1980, \$28 million in fiscal year 1981, \$30 million in fiscal year 1982, and \$32 million in fiscal year 1983.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
122. Matching for child support costs of court personnel (section 605 of the Senate amendment)	<p>State plans under the title IV-D child support enforcement program must provide for entering into cooperative arrangements with appropriate courts and law enforcement officials to assist the child support agency in administering the program. The law provides for entering into financial arrangements with courts and officials.</p> <p>HEW regulations provide that Federal matching is available for all costs for law enforcement officials (including salaries) pursuant to a cooperative agreement with the Title IV-D agency, but only for the administrative costs of the judicial system associated with child support functions to the extent that these costs are necessary for the proper and efficient administration of the child support program. HEW regulations prohibit Federal matching for salaries of judges and their support staff. The costs to which this prohibition applies include any costs that support the activities of a judge both in and out of the court room (office space, furniture, travel, etc.), cost related to the maintenance of the court room (space, furniture, etc.), costs of compensating court room personnel in performing judicial activities, and other costs incurred in supporting the judicial activities of court room personnel.</p>	No provision.	<p>Authorizes matching for compensation for judges and other support and administrative personnel of courts who perform title IV-D functions, but only for those functions specifically identifiable as IV-D functions. Matching would be provided only for expenditures in excess of levels of spending in the State for these activities in 1976.</p> <p>Effective date.—Payments may be made for quarters beginning January 1, 1979.</p> <p>Budget effect.—The provision is estimated by HEW to cost \$8.5 million in fiscal year 1979, \$11.8 million in fiscal year 1980, \$12.7 in fiscal year 1981, \$13.5 million in fiscal year 1982, and \$14.3 million in fiscal year 1983.</p> <p>The Finance Committee estimates that these costs would be offset by at least equal savings from reduced AFDC costs.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
123. Increase in Federal funding for territorial assistance programs (sections 606-607 of the Senate amendment)	Public assistance programs in Puerto Rico, Guam, and the Virgin Islands qualify for Federal matching at a 50-percent rate and are subject to dollar limits on the amount of Federal funding available. The annual limit is \$24 million for Puerto Rico, \$800,000 for the Virgin Islands, and \$1.1 million for Guam.	No provision. (However, another House bill, H.R. 7200, removes as of April 1, 1978 the dollar ceiling on Federal matching funds for AFDC in Puerto Rico, Guam, and the Virgin Islands, but maintains the 50-percent Federal matching rate; and extends SSI to Puerto Rico, Guam, and the Virgin Islands, effective April 1, 1978. Benefit levels would be adjusted so as to bear the same ratio to the SSI benefit rates in the States as the per capita income in each territory bears to the per capita income of the State with the lowest per capita income.	<p>The Senate amendment would increase the Federal matching rate for public assistance programs (aid to the aged, blind, and disabled and AFDC) to 75 percent and would triple the maximum annual amount of Federal funding to \$72 million for Puerto Rico, \$2.4 million for the Virgin Islands, and \$3.3 million for Guam.</p> <p>The Commonwealth of the Northern Marianas would receive the same 75 percent and Federal matching, and would have a statutory ceiling on Federal funding of \$570,000.</p> <p>Budget effect.—\$53 million for fiscal year 1979, effective October 1, 1978.</p>	
124. Northern Mariana Islands provisions (section 608 of Senate amendment)	The covenant establishing the Commonwealth of the Northern Marianas specifically extended the supplemental security income (SSI) program to that jurisdiction and implicitly extends other public assistance programs. Statutory provisions do not specifically include the Marianas under any Social Security Act programs.	No provision.	<p>The Senate amendment provides for bringing the Mariana Commonwealth under the Social Security Act public assistance programs in a manner comparable to the other territories. This would allow the Commonwealth to provide assistance and social services under State plan programs of the aged, blind, and disabled and aid to families with dependent children. Coverage under the medical assistance (Medicaid) program would also be provided. Under the Senate amendment, the SSI program would no longer be applicable in the Marianas.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
125. Foster care, adoption assistance and child welfare services (section 609 of the Senate amendment)	Title IV-A of the Social Security Act provides Federal matching for State payments for foster care; title IV-B provides matching for State child welfare services programs.	No provision. (However, another House Bill, H.R. 7200, includes provisions for a new adoption assistance program, makes changes in existing foster care provisions, provides new foster care protections, and makes funding under the child welfare services program available to the States on an entitlement basis.	Creates a new Part E of title IV—"Federal Payments for Adoption Assistance and Foster Care", and amends the child welfare services program. (Floor amendment by Senator Cranston, adopted by voice vote.)	
a. Ceiling on Federal AFDC foster care funds	Title IV-A authorizes open-ended Federal matching for use by States to provide foster care payments for the care of children who (1) meet the State AFDC eligibility requirements and (2) have been removed from their homes as the result of judicial determination. Federal matching rate is the same as for AFDC income maintenance payments.	(H.R. 7200) : Maintains current law provision for open-ended funding of State foster care maintenance payments.)	Establishes a ceiling on Federal foster care funding. The State's fiscal year 1978 expenditures of Federal funds for foster care would be the base, and the allotment for each State could not exceed an additional 20 percent in 1979 and 10 percent per year in each of the next 4 years. To provide room for growth in States with small programs an alternative ceiling would be provided equal to each State's share of \$100 million based on State population under age 21. States that did not use their full allotment for foster care could use excess funds for IV-B child welfare services. Budget effect. —Savings of \$1 million for fiscal year 1979, and \$7 million in fiscal year 1980.	
b. Foster care provided in institutions	Federal foster care matching funds are available for foster care provided in institutions only in the case of non-profit private institutions.	(H.R. 7200) : Allows funding for foster care maintenance payments for children in public facilities, but only if the institution serves no more than 25 children.) Budget effect. —First full year cost: \$10.5 million.	Allows funding of foster care maintenance payments for children in public facilities, but only if the public institution serves no more than 25 children. Funding would not be available for children placed in such institutions prior to enactment of these provisions. Budget effect. —Fiscal year 1979 cost: \$3 million; fiscal year 1980 cost of \$7 million.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
125. Foster care, adoption assistance and child welfare services (continued)				
c. <i>Voluntarily placed foster children</i>	<p>Federal foster care matching funds are available only where an eligible child has been removed from his or her home as a result of a judicial determination.</p>	<p>(H.R. 7200) : Allows Federal matching for foster care payments for a child that has been removed from his home without a judicial determination, if the removal is at the request of the parent. (This procedure can only be used after HEW has determined that the State is in compliance with foster care protection provisions under title IV-B, as added by H.R. 7200.)</p> <p>Budget effect.—First full year cost: \$17.5 million.</p>	<p>No provision.</p>	
d. <i>Adoption assistance</i>	<p>Federal AFDC matching funds are not available for adoption subsidies.</p>	<p>(H.R. 7200) : Requires States, as a condition for AFDC matching, to establish an adoption subsidy program for AFDC foster care children who are "hard-to-place." Matching would be the same as under the AFDC program. To qualify for assistance payments a child would have to be in AFDC foster care for at least 6 months, and be determined by the State to be "hard-to-place" because of his ethnic background, race, color, language, age, physical, mental, emotional or medical handicap, or membership in a sibling group.</p>	<p>Authorizes States to make assistance payments to parents who adopt "hard-to-place" children. The matching rate would be the same as under the AFDC program. States would have to find that the child would have been receiving AFDC but for the child's removal from the home of his relatives; that the child cannot be returned to that home; and that after making a reasonable effort consistent with the child's needs, the child has not been adopted without the offering of financial assistance. The determination of whether a child is difficult to place would have to be made by the State based on a specific fact or condition because of which it is reasonable to conclude that the child cannot be adopted without adoption assistance.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
<p>125. (Continued)</p> <p>d. (Continued)</p>		<p>Under H.R. 7200, there would be no family income limitation for purposes of determining eligibility for adoption assistance. The rate of the subsidy could not exceed the amount paid for foster care (in a foster family home) in the State plus an additional amount for costs related to special health conditions existing prior to adoption.</p> <p>The adoption subsidy could be made on behalf of a child for 1 year or the length of time the child had received AFDC-foster care, whichever is longer. Payments for costs related to a special health condition could continue until the child reaches the age of majority and if the State determines annually that the child still has the special health condition that existed at the time of adoption.</p> <p><i>Budget effect.</i>—None.</p>	<p>Families would be eligible for an adoption subsidy so long as their income does not exceed 115 percent of the median family income for a family of four in the State, adjusted to reflect family size. The amount of the subsidy would be agreed on by the family and the agency, but could not exceed the amount paid for foster care (in a foster family home), and would be terminated when the child reached 18 or the family's income exceeded the specified limits. A child with a medical disability that existed at the time of adoption would continue to be covered under Medicaid for treatment related to that medical disability. States would be permitted to make an adopted child with a pre-existing medical condition eligible for treatment under Medicaid for other medical conditions as well.</p> <p>Matching for adoption subsidies would not be provided for adoption agreements entered into after January 1, 1983.</p> <p><i>Budget effect.</i>—None.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
<i>e. Federal funds for child welfare services</i>	<p>Title IV-B authorizes \$266 million (of which \$56.5 million was appropriated for fiscal year 1978) in Federal matching funds to be allotted to the States for a wide range of child welfare services and for foster care payments. The theoretical Federal matching rate ranges from 33⅓ to 66⅔ percent. There are no prohibitions on the use of funds for foster care maintenance payments.</p>	<p>(H.R. 7200).—Makes \$266 million in Federal funds for child welfare services available to the States on an entitlement basis and eliminates the requirement for State matching. Prohibits any State from using more Federal IV-B funds for foster care maintenance payments than it used in fiscal year 1977. Prohibits the use of IV-B funds for a employment-related child care and for other specified services. Includes maintenance of effort requirement. Redefines child welfare services to emphasize services directed toward preventing the removal of children from their homes, reuniting children with their families, and placing children in suitable adoptive homes where restoring them to the natural family is not possible. Requires annual approval by HEW of a State plan for child welfare services.</p> <p>Budget effect.—Fiscal year 1979 estimated cost: \$105 million.</p>	<p>Retains the present law authorization of up to \$266 million for child welfare services, but increases the Federal matching to 75 percent. Provides that funds appropriated in future years that are above the amount appropriated for fiscal year 1978 (\$56.5 million) may not be used for foster care maintenance payments.</p> <p>Budget effect.—Fiscal year 1979 estimated cost: \$63 million.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
<p>125. Foster care, adoption assistance and child welfare services (continued)</p> <p><i>f. Foster care protections</i></p>		<p>(H.R. 7200) : Provides specific foster care protections including a provision that no child will be placed in foster care by the voluntary action of his parents unless a "voluntary placement agreement" has been signed by parent and agency, that a child will be placed in the least restrictive setting, that reunification services will be available, that there will be a written individualized case plan for each child, and that there be a review of each case plan at least every 6 months.)</p> <p>HEW is required to provide for the establishment and operation of a national and regional adoption information system.</p> <p><i>Budget effect.</i>—None.</p>	<p>Permits States to use child welfare service funds for State tracking and information systems individual case, review systems, services to reunite families or place children in adoption, and procedures to protect the rights of natural parents, children and foster parents. Allows the Congress to designate that any new funding be specifically used for these purposes. Allows States in the first year for which funds are allotted for these purposes to conduct an inventory of children who have been in foster care for 6 months preceding the inventory, and to design and develop a statewide information system for children in foster care, a case review system for each child, and a service program designed to help children remain with their families.</p> <p><i>Budget effect.</i>—None.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
126. AFDC earned income disregard (section 609 of the Senate amendment)	<p>In determining the amount of benefits to be paid to an AFDC recipient with earnings the following formula is used: Disregard (1) \$30 a month in earnings, (2) one-third of remaining earnings, and (3) the amount of work related expenses.</p>	<p>No provision.</p>	<p>Provides for disregarding from earned income, (1) an amount equal to reasonable child care expenses (subject to limitation prescribed by HEW), (2) from the remaining income, \$60 a month in the case of an individual working full time and \$30 in the case of an individual working part-time, (3) one-third of the next \$300 of monthly earnings, and (4) one-fifth of the remaining earnings. (Floor amendment by Senator Cranston, adopted by voice vote.)</p> <p>Effective date.—January 1, 1979.</p> <p>Budget effect.—Estimated savings of \$175 million in fiscal year 1979.</p>	

COMPARISON OF REVENUE EFFECTS OF TAX PROVISIONS OF THE HOUSE AND SENATE VERSIONS OF H.R. 13511

Table 1.—Revenue Effect of H.R. 13511 by Provision, as Approved by the House, Fiscal Years 1979-83

Part A.—Tax Reductions and Revisions

[In millions of dollars]

Provision	Fiscal year receipts				
	1979	1980	1981	1982	1983
<i>Individual tax reductions and revisions:</i>					
1. 6-percent bracket widening, rate cuts and increased zero bracket amount-----	-6,549	-11,608	-13,440	-15,587	-18,104
2. Repeal general tax credit-----	7,278	10,809	11,428	12,097	12,818
\$1,000 personal exemption-----	-8,177	-12,171	-12,902	-13,677	-14,497
3. Simplification of the earned income credit-----		-17	-16	-16	-15
4. <i>Itemized deductions:</i>					
Repeal gasoline tax deduction-----	471	1,237	1,458	1,720	2,029
Revise medical expense deduction--	16	43	51	60	71
Repeal political contributions deduction-----	2	6	7	8	10
5. Tax certain unemployment benefits-----		251	261	259	263
Total, Individual-----	-6,959	-11,450	-13,153	-15,136	-17,425

Table 2.—Revenue Effect of H.R. 13511 by Provision, as Approved by the Senate, Fiscal Years 1979-83

Part A.—Tax Reductions and Revisions

[In millions of dollars]

Provision	Fiscal year receipts				
	1979	1980	1981	1982	1983
<i>Individual tax reductions and revisions</i>					
1. Bracket widening, rate cuts, and increased zero bracket amount-----	-8,571	-22,049	-23,453	-27,842	-33,099
2. Repeal general tax credit-----	7,278	10,809	11,428	12,097	12,818
\$1,000 personal exemption-----	-8,177	-12,171	-12,902	-13,677	-14,497
Additional exemption for disabled-----	-121	-248	-379	-519	-546
3. Earned income credit:					
Simplify the earned income credit-----		-17	-16	-16	-15
Increase the earned income credit-----	-110	-1,969	-1,624	-1,558	-1,497
4. Itemized deductions and tax credits:					
Repeal gasoline tax deduction-----	471	1,237	1,458	1,720	2,029
Disability income exclusion-----	-26	-14	-15	-16	-17
Increase the political contribution credit-----		-16	-26	-16	-16
Increase the elderly credit-----	-104	-278	-278	-278	-278
Credit for child care services-----	-5	-38	-39	-40	-39
Tuition tax credit-----	-330	-539	-968	-845	-----
5. Deferred compensation provisions-----	(²)	(²)	(²)	(²)	(²)
6. Pension plan provisions:					
Additional contributions to pension plans-----	-144	-352	-425	-487	-536
IRA pension plans-----	-6	-18	-29	-39	-49
Rollover of annuities-----	(²)	(²)	(²)	(²)	(²)
IRA technical provisions-----		-37	-12	-12	-12
Total, Individual-----	-9,845	-25,700	-27,280	-31,558	-35,754

Table 2.—Revenue Effect of H.R. 13511 by Provision, as Approved by the Senate, Fiscal Years 1979-83—Continued

Part A.—Tax Reductions and Revisions—Continued

Provision	Fiscal year receipts				
	1979	1980	1981	1982	1983
Business tax reductions and revisions:					
1. Cut rate on income over \$100,000 from 48 to 44 percent, ⁴ and tax income below \$100,000 as follows: 0 to \$25,000 at 17 percent; \$25,000 to \$50,000 at 20 percent; \$50,000 to \$75,000 at 30 percent; and \$75,000 to \$100,000 at 40 percent-----	-2,281	-6,109	-8,616	-10,558	-11,561
2. Investment credit provisions:					
Increase investment tax credit limitation to 90 percent (phased in over 4 years)-----	-129	-441	-872	-1,015	-782
Investment credit for pollution control facilities-----	-10	-34	-85	-156	-211
Extension of credit to rehabilitation expenditures for certain existing structures-----	-9	-52	-190	-215	-234
Investment tax credit on structures and for food and plant production-----	-53 ³	-33	-22	-24	-26
Investment credit for farm co-operatives-----	-46 ³	-33	-35	-37	-39
Investment credit for breeding and draft horses-----	-6	-16	-17	-19	-21
Extend for 1 year the carryover period for unused investment credits expiring at the end of 1977-----	(²)	(²)	(²)	(²)	(²)
Modify investment credit limitation for lessors of railroad cars-----	-4	-5	(¹)	2	2
Investment credit recapture on property transfers to ConRail ³ -----	(²)	2,458	2,458	2,458	2,458
3. Repeal general jobs credit-----	689	-455	-601	-560	-85
Targeted jobs credit-----	-129	-223	-314	-370	-422
WIN credit-----	-58				
Extend modified general jobs credit-----	-360	-1,350	-990		
4. Industrial development bonds:					
Small issues exception to industrial development bond tax treatment-----		-4	-17	-29	-39
Advance refunding of industrial development bonds for certain qualified public projects-----	(²)	(²)	(²)	(²)	(²)
Advance refunding of certain other industrial development bonds-----	(¹)	-4	-9	-9	-9
Income tax exemption for bonds for water facilities-----	(¹)	-6	-26	-49	-65
Income tax exemption for bonds for facilities for furnishing electric energy-----	(¹)	-3	-10	-18	-23
Industrial development bonds for facilities involving urban grants-----		(¹)	-1	-5	-9

Table 1.—Revenue Effect of H.R. 13511 by Provision, as Approved by the House, Fiscal Years 1979–83—Continued

Part A.—Tax Reductions and Revisions—Continued

Provision	Fiscal year receipts				
	1979	1980	1981	1982	1983
Business tax reductions and revisions:					
1. Cut rate on income over \$100,000 from 48 to 46 percent, and Tax income below \$100,000 as follows: 0 to \$25,000 at 17 percent; \$25,000 to \$50,000 at 20 percent; \$50,000 to \$75,000 at 30 percent; \$75,000 to \$100,000 at 40 percent-----	-2,281	-5,286	-5,788	-6,338	-6,940
2. Increase investment credit limitation to 90 percent (phase in over 4 years)--- 10-percent credit for pollution control facilities----- 10-percent credit for rehabilitation expenditures-----	-129 -6 -84	-441 -18 -259	-872 -42 -292	-1,015 -76 -318	-782 -104 -340
3. Repeal general jobs credit----- Targeted jobs credit-----	689 -189	2,458 -602	2,458 -745	2,458 -824	2,458 -875
4. \$10,000,000 limitation on capital expenditure for industrial development bonds-----	(1)	-3	-13	-22	-30

Table 1.—Revenue Effect of H.R. 13511 by Provision, as Approved by the House, Fiscal Years 1979–83—Continued

Part A.—Tax Reductions and Revisions—Continued

Provision	Fiscal year receipts				
	1979	1980	1981	1982	1983
5. Small business provisions-----	-148	-357	-305	-263	-232
Total, Business -----	-2,146	-4,494	-5,589	-6,390	-6,840

Capital gains tax revisions:

<i>Individual:</i>					
1. Repeal alternative tax-----	(1)	133	143	154	166
2. Remove capital gains from preferences-----	(1)	-1,327	-1,459	-1,605	-1,766
3. Exclude capital gains from sale of a principal residence-----	-282	-745	-820	-901	-992
4. Sale of personal residence within 18 months-----	-2	-3	-3	-3	-3
5. Alternative minimum tax on capital gains-----	(1)	172	190	209	230
6. Index the basis of certain capital assets-----		(1)	-409	-1,396	-2,082
<i>Corporate:</i>					
1. Remove capital gains from preferences-----		-95	-104	-114	-125
2. Index basis of certain capital assets-----		-58	-263	-583	-977
Total, Capital gains -----	-284	-1,923	-2,725	-4,239	-5,549

Table 2.—Revenue Effect of H.R. 13511 by Provision, as Approved by the Senate, Fiscal Years 1979–83—Continued

Part A.—Tax Reductions and Revisions—Continued

Provision	Fiscal year receipts				
	1979	1980	1981	1982	1983
5. Subchapter S corporations-----	(1)	(1)	(1)	(1)	(1)
6. Small business corporation stock-----	(2)	(2)	(2)	(2)	(2)
7. Accrual accounting for farming corporations-----	(1)	(1)	(1)	(1)	(1)
8. Accelerated and simplified depreciation for small business-----	-37	-421	-1,439	-2,374	-2,376
9. Entertainment facility expenses-----	51	116	126	138	151
10. Deficiency dividend procedure for regulated investment companies-----	(1)	(1)	(1)	(1)	(1)
11. Safe harbor rule for real estate investment trusts-----	(1)	(1)	(1)	(1)	(1)
12. Contributions in aid of construction*-----	(2)	(2)	(2)	(2)	(2)
13. Treatment of certain liabilities on incorporation of a trade or business-----	(2)	-50	-100	-100	-100
14. Medical reimbursement plan-----	(2)	(2)	(2)	(2)	(2)
15. Postponement of effective date for special limitations on net loss carryovers-----	(2)	(2)	(2)	(2)	(2)
16. Redemptions of United States Railway certificates of value-----					
17. Source of income from rental of railroad rolling stock-----	(1)	(1)	(1)	(1)	(1)
Total, Business -----	-2,382	-6,665	-10,760	-12,940	-13,391

Capital gains reductions and revisions:

<i>Individual:</i>					
1. Repeal alternative tax-----	20	133	143	154	166
2. 70 percent capital gains deduction-----	-250	-3,394	-3,648	-3,922	-4,216
3. Exclude gains from sale of a principal residence-----	-150	-322	-354	-390	-429
4. Sale of personal residence within 18 months-----	-2	-3	-3	-3	-3
5. Postponement of carryover basis-----	-36	-93	-162	-133	-110
<i>Corporate:</i>					
Reduce alternative tax rate on capital gains-----	-53	-125	-141	-155	-170
Tax increase from induced capital gains realization-----	85	1,092	1,173	1,261	1,356
Total, capital gains -----	-386	-2,712	-2,992	-3,188	-3,406
<i>Minimum and maximum tax provisions</i>					
1. Repeal existing minimum tax-----		-1,566	-1,722	-1,894	-2,083
2. Alternative minimum tax-----		1,603	1,763	1,939	2,133
3. Intangible drilling costs in minimum tax-----	-51	-61	-73	-84	-97
4. Credit for 1976 minimum tax-----	-15	-5	-3		
5. Low income housing in minimum tax-----	(2)	(2)	(2)	(2)	(2)
6. Maximum tax provisions-----	-27	-111	-126	-142	-160
Total, minimum and maximum tax -----	-93	-140	-161	-181	-207

*The estimates were derived assuming that the position taken by the IRS is the correct one. The figures do not allow for revenue effects of additional charges the utilities may make in order to get reimbursement for the additional taxes payable under IRS ruling.

Table 1.—Revenue Effect of H.R. 13511 by Provision, as Approved by the House, Fiscal Years 1979-83—Continued

Part A.—Tax Reductions and Revisions—Continued

[In millions of dollars]

Provision	Fiscal year receipts			
	1979	1980	1981	1982
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000
Gift tax	1,000	1,000	1,000	1,000
Estate tax	1,000	1,000	1,000	1,000
Excise tax	1,000	1,000	1,000	1,000
Income tax	1,000	1,000	1,000	1,000
Corporate tax	1,000	1,000	1,000	1,000
Capital gains tax	1,000	1,000	1,000	1,000</

Footnotes to Part A:

¹ Less than \$1 million.

Table 2.—Revenue Effect of H.R. 13511 by Provision, as Approved by the Senate, Fiscal Years 1979-83—Continued

Part A.—Tax Reductions and Revisions—Continued

[In millions of dollars]

Provision	Fiscal year receipts				
	1979	1980	1981	1982	1983
Other tax provisions					
Employment status of independent contractors and employees ⁵	(2)	(2)	(2)	(2)	(2)
Employer reporting requirements with respect to charged tips ⁶	(2)	(2)	(2)	(2)	(2)
Deferral of carryover basis rules	-36	-93	-162	-133	-110
Jointly-owned farms and closely held businesses	(1)	-37	-39	-41	-43
Source of interest income on deposits in Puerto Rico branches of U.S. savings and loan associations	(2)	(2)	(2)	(2)	(2)
Reduction in excise tax on investment income of private foundations	-40	-40	-40	-40	-40
State tax credit against Federal slot machine tax	-5	-6	-7	-7	-7
Charitable split interest trusts	-15 ³				
Attribution rules for extension of time to pay estate tax					
Exemption from private foundation tax for failure to distribute income	(1)	(1)	(1)	(1)	(1)
Small tax case procedures before the Tax Court					
Tax treatment of cooperative housing corporations	(2)	(2)	(2)	(2)	(2)
Tax exemption for certain mutual guaranty organizations	-5 ³	(1)	(1)	(1)	(1)
Accounting treatment of magazines, etc., returned after the close of the accounting year		-5	-11	-12	-13
Accounting treatment for discount coupons redeemed after the close of the taxable year		-103	-10	-10	-10
Exemption from highway use tax for certain farm and soil and water conservation trucks	-12	-20	-20	-20	-20
Taxation of foreign investors on sale of certain U.S. real estate	(2)	(2)	(2)	(2)	(2)
Alaskan Native Claims Settlement Act Corporations	(7)	(7)	(7)	(7)	(7)
Technical corrections to the Tax Reform Act of 1976	-8 ³				
Certain cost sharing payments	(2)	-28	-77	-7	-10
Special PBB loss treatment	(2)	(2)	(2)	(2)	(2)
Claim of right	(2)	(2)	(2)	(2)	(2)
Product liability carryovers	(1)	(2)	-7	-8	-9
Uniformed Services scholarship exclusion	(2)	(2)	(2)	(2)	(2)
National Research Service Awards	-52 ³	-18	-10	(2)	(2)
Cancellation of student loans	(2)	(2)	(2)	(2)	(2)
Employer educational assistance	-18	-28	-31	-35	-39
Total, Other Tax Provisions	-191	-378	-414	-391	-380
Total, Tax Reductions and Revisions	-12,882	-35,590	-41,604	-48,258	-53,138

Footnotes to Part A:

¹ Less than \$1 million.

² Less than \$5 million.

³ Includes liabilities of prior years.

^a 46 percent in 1979 and 45 percent in 1980.

³ This provision has the effect of overturning Revenue

ulings 75-400 and 76-231. If the employer reporting

requirements contained in these rulings were to take effect,

increases in budget receipts could be substantial. This

revenue is not being collected at the present time, therefore no change in budget receipts is estimated.

⁶ The revenue effect cannot be estimated because the proportion change in budget receipts is estimated.

vision affects liabilities being contested by taxpayers in

Table 1.—Continued

Part B.—Estimated Revenue Effect of Extending or Making Permanent Existing Temporary Income Tax Reduction Provisions, Fiscal Years 1979-1983¹

[In millions of dollars]

Provision	Fiscal year receipts			
	1979	1980	1981	1982
Individual income taxes				
Per capita credit ¹	-4,514	-6,583	-6,780	-6,984
Optional taxable income credit ¹	-2,764	-4,226	-4,648	-5,113
Earned income credit		-1,061	-1,019	-978
Investment tax credit at 10-percent rate			-271	-741
Amortization for low-income housing	(²)	-2	-6	-11
Jobs tax credit ³	-125	-983	-983	-873
Total, individual income taxes	-7,403	-12,855	-13,707	-14,810
Corporation income taxes				
Rate reductions	-927	-2,148	-2,352	-2,575
Investment tax credit at 10-percent rate			-1,800	-4,460
Amortization for low-income housing	(²)	-2	-5	-8
Jobs tax credit ³	-564	-1,475	-1,475	-1,475
Total, corporation income taxes	-1,491	-3,625	-5,632	-8,518
Total, Temporary Tax Reduction Extensions	-8,894	-16,480	-19,339	-23,328
GRAND TOTAL, TAX REDUCTIONS, REVISIONS, AND EXTENSIONS	-18,283	-34,347	-40,804	-49,093

Footnotes to Part B:

¹ These items are not extended by H.R. 13511, but are allowed to expire after 1978 and are replaced by an increase in the personal exemption from \$750 to \$1,000.

² Less than \$500,000.

³ The expiring general jobs tax credit is not extended and an offsetting entry is shown in part A of this table.

Table 2.—Continued

Part B.—Estimated Revenue Effect of Extending or Making Permanent Existing Temporary Income Tax Reduction Provisions, Fiscal Years 1979-1983¹

[In millions of dollars]

Provision	Fiscal year receipts			
	1979	1980	1981	1982
Individual income taxes				
Per capita credit ¹	-4,514	-6,583	-6,780	-6,984
Optional taxable income credit ¹	-2,764	-4,226	-4,648	-5,113
Earned income credit		-1,061	-1,019	-978
Investment tax credit at 10-percent rate			-271	-741
Amortization for low-income housing	(²)	-2	-6	-11
Jobs tax credit ³	-125	-983	-983	-983
Total, individual income taxes	-7,403	-12,855	-13,707	-14,810
Corporation income taxes				
Rate reductions	-927	-2,148	-2,352	-2,575
Investment tax credit at 10-percent rate			-1,800	-4,460
TRASOP investment credit at 1½ percent rate			-178	-446
Amortization for low-income housing	(²)	-2	-5	-8
Jobs tax credit ³	-564	-1,475	-1,475	-1,475
Total, corporation income taxes	-1,491	-3,625	-5,810	-8,964
Total, Temporary Tax Reduction Extensions	-8,894	-16,480	-19,517	-23,774
GRAND TOTAL, TAX REDUCTIONS, REVISIONS, AND EXTENSIONS	-21,791	-52,075	-61,124	-72,032

Footnotes to Part B:

¹ These items are not extended by H.R. 13511, but are allowed to expire after 1978 and are replaced by an increase in the personal exemption from \$750 to \$1,000.

² Less than \$500,000.

³ The expiring general jobs tax credit is not extended and an offsetting entry is shown in part A of this table.

